MINING FOR GROWTH

ASIAPHOS LIMITED
ANNUAL REPORT 2014

VISION & MISSION

TO BE A WORLD-CLASS
PHOSPHATE MANUFACTURER

FOCUS ON QUALITY, SUSTAINABILITY AND
ENVIRONMENTAL MANAGEMENT

STRIVE TOWARDS VALUE CREATION FOR
ALL OUR STAKEHOLDERS AS A RESPONSIBLE
CORPORATE CITIZEN

CONTENTS

This Annual Report ("AR") 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 AR.

This AR has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this AR, including the correctness of any of the statements or opinions made or reports contained in this AR.

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.

ABOUT ASIAPHOS

Listed on the Catalist Board of the Singapore Exchange in 2013, AsiaPhos Limited is a Singapore-headquartered mineral resources company with rights to explore and mine phosphate in Sichuan Province, People's Republic Of China ("PRC").

With a view to enhancing the value of this valuable and non-renewable natural resource and expanding our product range, AsiaPhos has adopted a vertically-integrated strategy to process and refine raw phosphate rocks and produce downstream phosphate-based chemical products.

THE ASIAPHOS STORY

Where It All Started

The following timeline summarises the significant events in our corporate history.

1996 to 1997

Established Mianzhu Norwest, a sino-foreign joint venture, to process and produce phosphate-based chemical products.

Obtained ISO 9001.

1998 to 1999

One of the first few producers of heavy-density STPP, which commands higher commercial value than powder low-density STPP.

2001 to 2002

Mianzhu Norwest attained ISO 14001 environmental management system certification, one of the few phosphate-based chemical producers in the PRC to be accredited.

In 2002, as part of a vertically-integrated strategy, Mianzhu Norwest acquired mining rights for two phosphate mines in Sichuan Province.

Mining commenced at the Cheng Qiang Yan mine.

2002 to 2008

Mianzhu Norwest became a wholly foreign-owned enterprise after the acquisition of equity interests from the PRC partner.

Mining commenced at the Shi Sun Xi mine.

Received exploration rights for additional mining depths and areas around existing mines.

On 12 May 2008, due to the Wenchuan Earthquake in Sichuan Province, production facilities and infrastructure surrounding the mines were damaged, and lives were lost.

2009 to 2011

Undertook recovery efforts with support from the local PRC authorities, suppliers and customers.

Obtained land use rights for the new Gongxing site, Phase 1 land, to relocate, rebuild and expand downstream processing facilities.

2012

Incorporated AsiaPhos.

Completed construction of P_4 plant and relocation of STPP plant to the new Gongxing site.

2013

Commenced trial production of P_4.

On 7 October 2013, successfully listed on the Catalist Board of the Singapore Exchange.

2014

Achieved mining output of 226,000 tonnes.

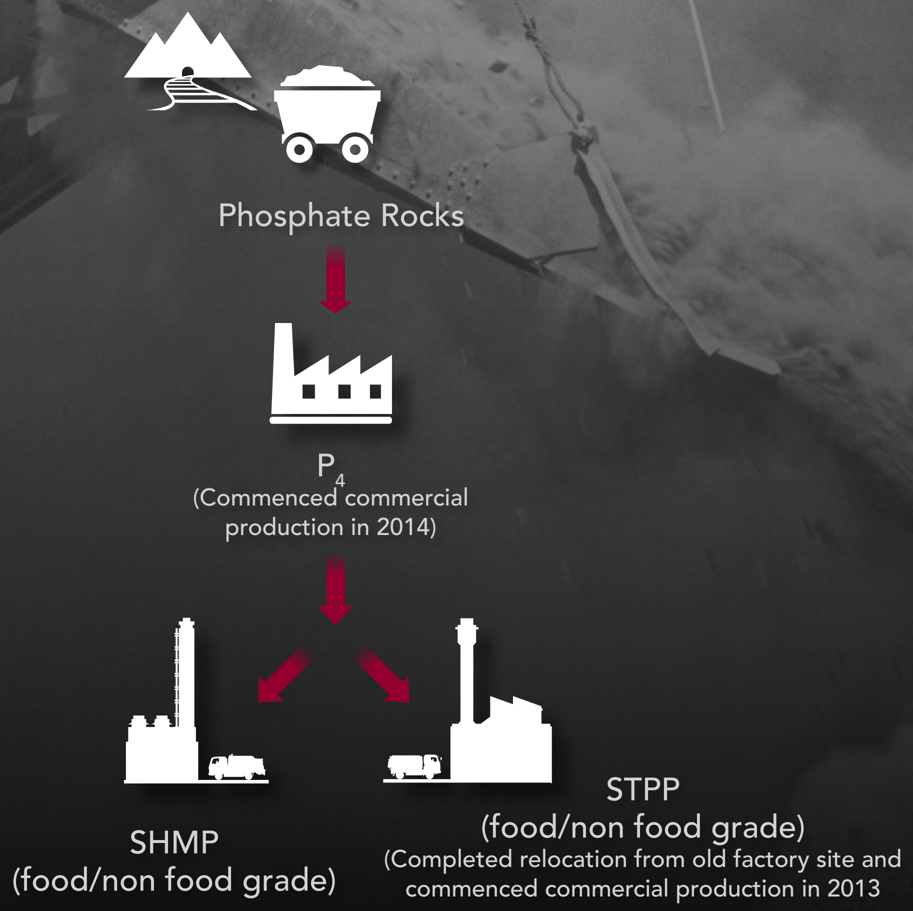
Received approval for the expansion of exploration right for Cheng Qiang Yan mine to 1.54km².

OUR BUSINESS MODEL

AsiaPhos' core business comprises the Upstream business segment, which is mining for phosphate rocks; and the Downstream business segment which is the production of phosphate-based chemicals such as yellow phosphorus (P_4), and sodium tripolyphosphate (STPP).

When completed, the vertically-integrated model allows us to benefit from operational synergies such as better control of raw material costs, consistent quality assurance of raw materials and greater flexibility in sales and production.

Production Model Flow Chart

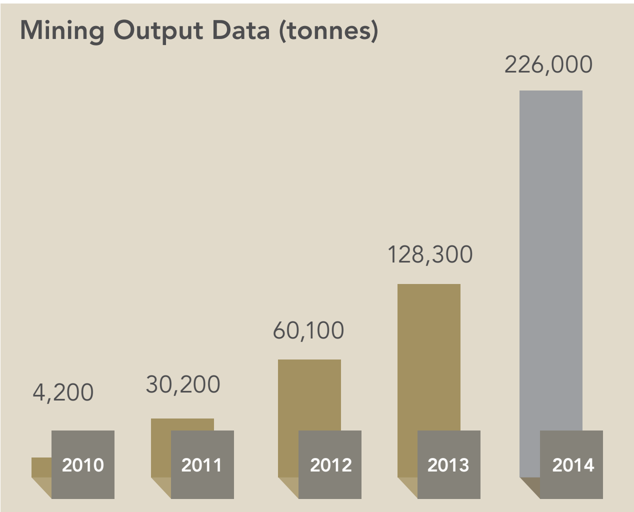


MESSAGE TO SHAREHOLDERS

Dear Shareholders,

FY2014 has been a year of new opportunities for AsiaPhos. We have been able to increase our mining exploration areas and potential mineral resource base, as well as entering into an agreement to secure a new arrangement with our existing partner that, when completed, will positively impact our future cash flows. We also took a step closer towards completing our vertically-integrated business model when we started commercially producing yellow phosphorus (P_4) during the year.

Notwithstanding some operational challenges, as well as those posed by occasional unfavourable weather conditions, our commitment towards 'Mining for Growth' remains focused and unwavering. Building on our core competencies, we will continue to work on unlocking the value of our mines with the view to enhancing shareholder value.



FY2014 Performance Review

In a year of tough trading conditions in the phosphate industry, we overcame several challenges to finish the year stronger in terms of mining output growth as well as revenue and net profit. For FY2014, we grew our total revenue three-fold to $23.8 million from $8.5 million in FY2013, with strong contributions from both the upstream and downstream operations.

Upstream revenue almost doubled to $12.7 million in FY2014 from $6.5 million previously on the back of increased output and sales. Our total output for the year rose 77% year-on-year to 226,000 tonnes.

Similarly, downstream revenue expanded six-fold in FY2014 to $11.1 million, from $1.9 million previously, driven by the sale of P_4, which the Group commenced commmercial production in the second quarter of FY2014. There were some initial technical problems encountered during the start-up of the furnaces which led to higher production costs and margin erosion. We have since conducted a debriefing session at the end of the 2014 production run and engaged independent experts to carry out a review of the production process. Currently, we are in the process of implementing the proposed changes and improvements which will raise the efficiency of material usage, electricity consumption and recovery of by-products. This should lower production cost and improve profit margins in the coming years.

A noteworthy point is the Group's improved operational performance in the fourth quarter, which staged a strong turnaround by achieving a profit before tax and other gains of $0.5 million. This reverses the losses incurred in the first three quarters of the year, and is a testament to the potential of this business. We are indeed beginning to reap the benefits of our investments in the mines and downstream plants.

While the Group closed the year with a net profit after tax of $19.5 million, this was boosted by other income which constitutes primarily the net fair value gains of $20.2 million arising from the valuation of financial instruments relating to the proposed acquisition of LY Resources Pte Ltd ("LYR"). LYR owns the economic benefits of the mineral resource lying in the Dashan cooperation area and a 55% equal interest in FengTai (see below).

This one-off gain is an accounting treatment that arose as a result of compliance with the requirements of FR39 *Financial Instruments Recognition and Measurement*. Consequently, with the expected completion of the proposed acquisition, the Group will have to recognise a non-recurring charge in FY2015 and may report a non-recurring loss relating to the proposed acquisition in FY2015 to comply with FRS 103 *Business Combinations*. This is because the Group has to allocate a part of the purchase consideration to the value of the Dashan profit sharing arrangement and recognise that as an effective settlement of pre-existing relationship and write it off to the profit and loss account.

The net fair value gains and the potential accounting charge has and will distort our results for FY2014 and FY2015, and serves to distract and divert focus from the improvement in the performance of our core operations.

Outlook and Future Plans

The proposed acquisition of the aforementioned LYR was in line with the Group's strategy to enhance value and build the foundation for the next phase of growth.

Upon the completion of the proposed acquisition of LYR, we will gain access to an adjacent exploration area of 17.91 km^2 ("FengTai") - 4.8 times the size of our existing two mines. Given its proximity to our existing mines, there is a high probability of finding phosphate deposits. We also see potential cost synergies and economies of scale from its close proximity to our mines and production facilities.

In August 2014, we were granted a new exploration permit for Mine 1 for an expanded area of approximately 1.54 km^2, up from the previous area of 0.55 km^2 under the old exploration licence. As a result, AsiaPhos' total measured and indicated phosphate resources estimate grew 31% to 30.3 million tonnes* as at 30 September 2014 from 23.1 million tonnes as at 31 December 2013.

While we work to increase our mining assets, we will continue to increase output in our existing mines by investing in mining-related infrastructure and equipment.

Our unique business model gives us the flexibility to vary the sales of phosphate rocks and phosphate-based chemical products according to market conditions so as to optimise profit margins.

Going forward, we will continue to focus on strengthening the Group's business by prudently investing its capital and striving to improve operational efficiency. We have also started implementing the Enterprise Resource Planning System which should further improve processes and lead to greater productivity and operating efficiencies.

The Sichuan government's recent move to reduce mining surcharge from RMB30 per tonne to RMB8 per tonne bodes well for us as it will positively impact our mining margins.

The combination of these positive corporate and industry developments will benefit us.

Corporate Social Responsibility

This year, we continue to maintain our efforts in conducting environmentally-sound mining and production activities, upholding responsible employment practices and contributing to the local community in Mianzhu City in Sichuan.

We conduct rigorous environmental monitoring to ensure compliance with laws and regulations, and demonstrate care for the interest and development of our employees this year through various benefits and training. Very importantly, we ensure they pass various health checks before working at our mines and factory.

In Appreciation

We are proud of our achievements despite a challenging year and are grateful for your unstinting support. We would also like to express our sincere thanks to our fellow Board members, customers, suppliers, management team and staff for their dedication and assistance in growing the business.

Thank you for believing in our growth vision and supporting us as we expand. We will continue to strive to deliver the best results for AsiaPhos.

Hong Pian Tee
Non-executive Chairman

Dr. Ong Hian Eng
CEO and Executive Director

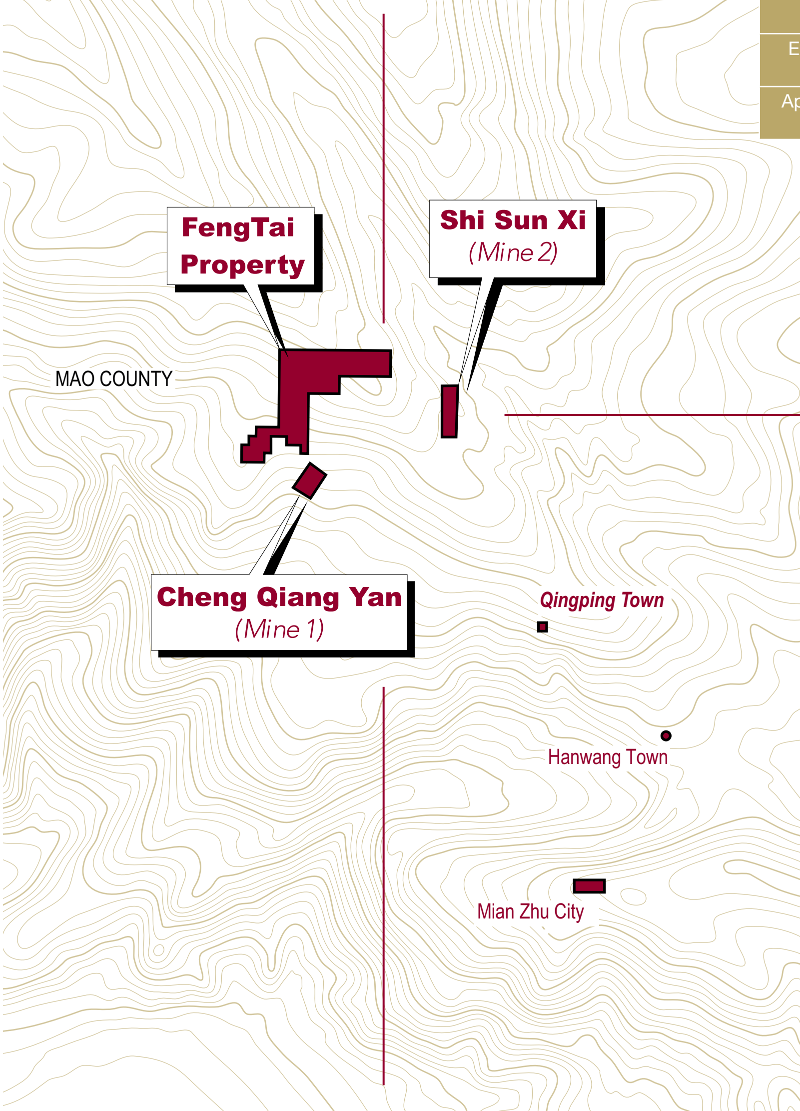
27 March 2015

* Please refer to notes on Page 16

MAP OF MINES

FengTai Property
The Group is in the process of acquiring LYR which has access to an exploration area of about 17.91 km², approximately 4.8 times the size of the existing mines.

Shi Sun Xi Mine	
Mining Permit Area	2.0237 km²
Mining Licence Period	March 2011 to January 2020
Exploration Permit Area	1.28 km²
Exploration Licence Period	Renewal Application Submitted
Approved Production Scale	200,000 tonnes per annum



Cheng Qiang Yan Mine	
Mining Permit Area	1.6491 km²
Mining Licence Period	March 2011 to December 2015
Exploration Permit Area	1.54 km²
Exploration Licence Period	April 2014 to April 2016
Approved Production Scale	50,000 tonnes per annum

FINANCIAL REVIEW

Overview

For FY2014, the Group's total revenue increased almost three-fold to $23.8 million from $8.5 million in FY2013, with strong contributions from both downstream and upstream operations. Upstream revenue contributed to 53% of total revenue, while downstream revenue accounted for 47% of total revenue. Net profit after tax rose to $19.5 million compared to a loss of $3.7 million in FY2013, mainly boosted by other income which constitutes primarily the net fair value gains on financial instruments issued in connection with the proposed acquisition of LYR.

Income Statement

Upstream Revenue

- Increased to $12.7 million in FY2014 from $6.5 million in FY2013, driven by increased sales of phosphate rocks.

Downstream Revenue

- Increased to $11.1 million in FY2014 from $1.9 million in FY2013, driven by the sale of P_4, which commenced commercial production in 2Q2014.

Upstream Gross Profit

- Increased to $3.9 million in FY2014 from $2.0 million in FY2013, due to a reduction in mining surcharge and increase in sales quantity.

Downstream Gross Profit

- Increased to $0.8 million in FY2014 from $0.5 million in FY2013 due to the expanded donwstream business with the sale of P_4.

Other Income

- Boosted by net fair value gains of $20.2 million which arose from the valuation of financial instruments relating to the proposed acquisition of LYR.
- Included interest income from convertible loan note of $1.3 million.

General and Administrative Expenses

- Decreased by $0.9 million due to absence of fees related to its IPO in 2013, partially offset by increase in operating expenses.

Finance Costs

- Increased due to interest expense of $0.6 million incurred on redeemable preference shares.

Other Expenses

- Wrote down the value of certain property, plant and equipment

	2014 $'000	2013 $'000	Change %
Revenue	23,822	8,458	**182**
Cost of sales	(19,138)	(5,908)	**224**
Gross profit	4,684	2,550	**84**
Other income	21,781	1,883	**1057**
Selling and distribution costs	(624)	(306)	**104**
General and administrative costs	(5,348)	(6,244)	**(14)**
Finance costs	(917)	(132)	**595**
Other expenses	(92)	–	**N.M.**
Profit/(Loss) before tax	19,484	(2,249)	**N.M.**
Taxation	14	(1,418)	**N.M.**
Net Profit/(Loss) after tax	19,498	(3,667)	**N.M.**

"N.M" denotes not meaningful

FINANCIAL REVIEW

Balance Sheet

Non-current assets rose from $38.9 million to $81.1 million as at 31 December 2014 mainly due to:
- $4.2 million addition to plant and equipment and construction-in-progress.
- Subscription of $15 million LYR convertible loan notes and its subsequent revaluation to S$23.1 million.
- $13.3 million increase in derivative asset.

Current assets dipped from $34.8 million to $18.8 million as at 31 December 2014 mainly due to:
- $7.7 million drop in other receivables mainly due to receipt of sales proceeds from trial P_4 output and receipt of environmental grant in FY2014.
- $13.8 decrease in cash and bank balances used for working capital and LYR convertible loan note subscription.
- Partially offset by increases in stocks of P_4 and related raw materials by $3.5 million and trade receivables by $2.1 million.

Current liabilities decreased from $18.2 million to $15.8 million as at 31 December 2014 mainly due to:
- $0.7 million decrease in advances from customers.
- $2.0 million decrease in interest-bearing loans from bank loan repayment.
- $0.6 million decrease in other payables mainly due to payments made for property, plant and equipment and reduction in accrued expenses.

Non-current liabilities increased from $4.4 million to $12.2 million as at 31 December 2014 mainly due to the issue of $7.0 million redeemable preference shares and its subsequent revaluation to $8.2 million.

Total equity rose by 41% to $72.0 million due to profit for the year.

	As at 31 Dec 2014 $'000	As at 31 Dec 2013 $'000	Change %
Non-current assets	81,145	38,902	109
Current assets	18,803	34,774	(46)
Total assets	**99,948**	**73,676**	**36**
Current liabilities	15,779	18,155	(13)
Non-current liabilities	12,177	4,353	180
Total liabilities	**27,956**	**22,508**	**24**
Net assets	**71,992**	**51,168**	**41**
Share capital	56,541	56,541	0
Reserves	15,451	(5,373)	N.M.
Total equity	**71,992**	**51,168**	**41**

"N.M" denotes not meaningful

Key Ratios

CURRENT RATIO

1.19

(current assets/current liabilities)

DEBT-EQUITY RATIO

5.1%

(interest-bearing bank loan /total equity)

CASH RATIO

0.31

(cash and bank balances /current liabilities)

FINANCIAL REVIEW

Cash Flow

Includes operating profit before tax of $0.3 million, an increase in payables of $0.2 million, decrease in receivables of $0.4 million, offset by increase in stocks of $3.1 million.

Subscription of Convertible Loan Note and property, plant and equipment offset by proceeds from sale of trial products (P_4).

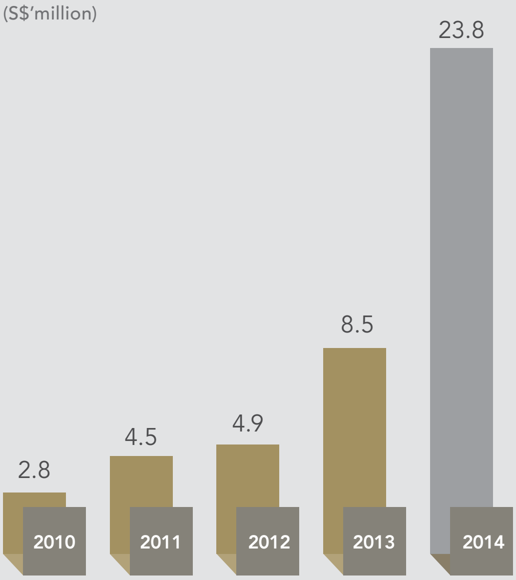
Net repayment of bank loan of $2.2 million, offset by $7.0 million of proceeds from issuance of redeemable preference shares.

	2014 $'000
Net cash flows used in operating activities	(2,557)
Net cash flows used in investing activities	(16,027)
Net cash flows generated from financing activities	4,205
Cash and cash equivalents at beginning of the year	17,431
Net decrease in cash and cash equivalents	(14,379)
Exchange rate differences	159
Cash and cash equivalents at end of the year	**3,211**

Financial Highlights

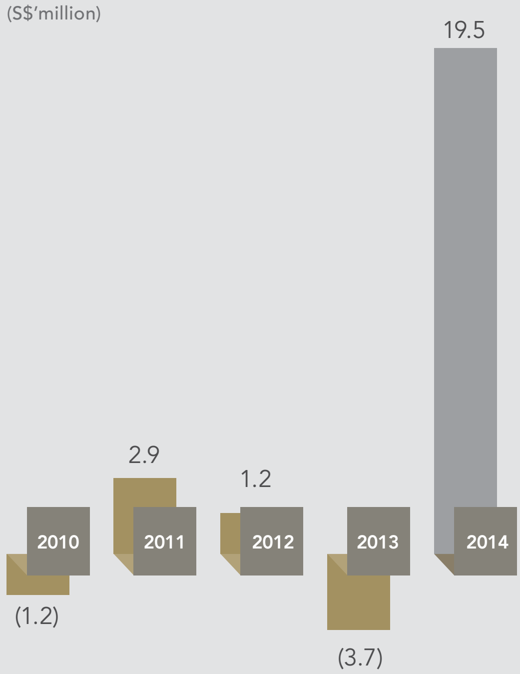
Revenue

(S$'million)



Net Profit after Tax

(S$'million)



USES OF PHOSPHATE

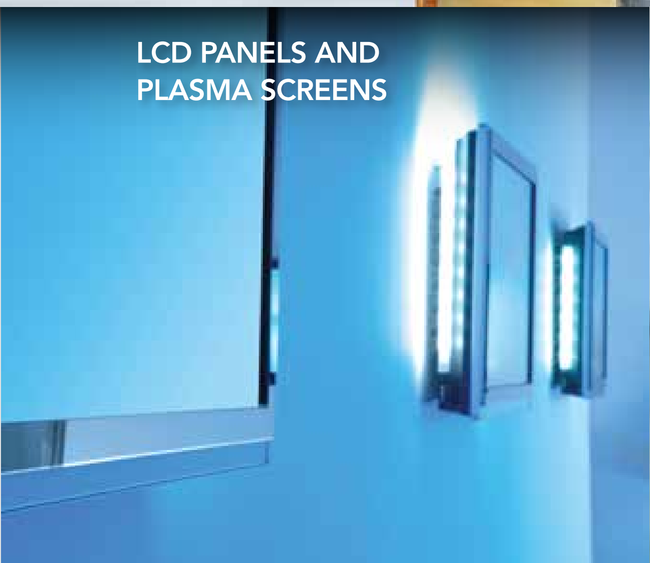
Phosphate is a valuable and non-renewable natural resource, and has numerous commercial and industrial applications. The root element, phosphorus, is an important nutrient for human, animal and plant life.

Phosphorus, phosphates and phosphate-based chemical products are used in, or in the manufacturing processes for, many everyday products, including, but not limited to:

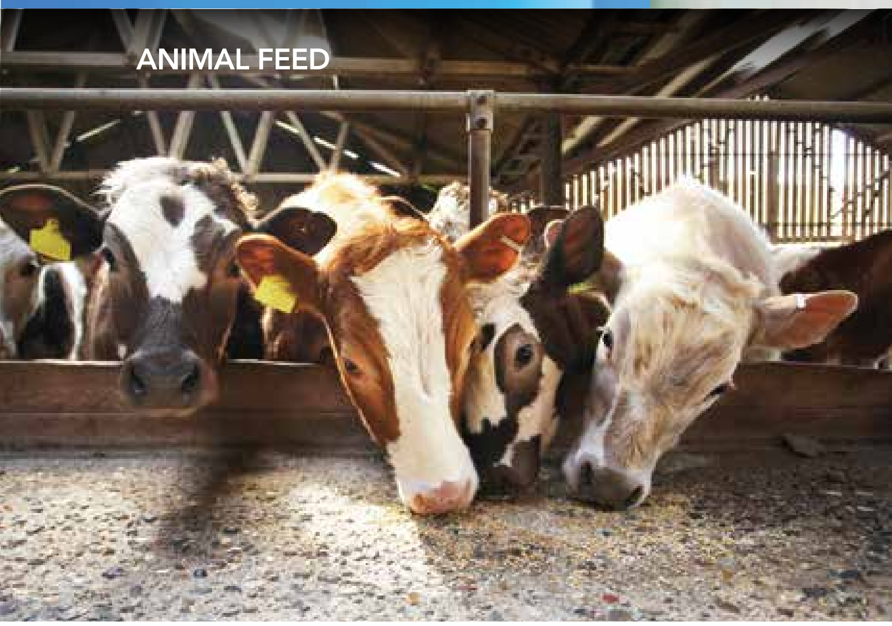
- animal feed;
- ceramics;
- detergents and cleaning products;
- fertilisers;
- explosives;
- fire retardants;
- food and beverage products, e.g. milk, cheese, frozen and canned vegetables, soft drinks, poultry products and fish fillets;
- LCD panels and plasma screens;
- lubricants for industrial applications;
- metal treatment products;
- oral hygiene products, e.g. mouthwash and toothpaste;
- paint;
- paper;
- pharmaceutical products and dietary supplements;
- semi-conductors; and
- water treatment products

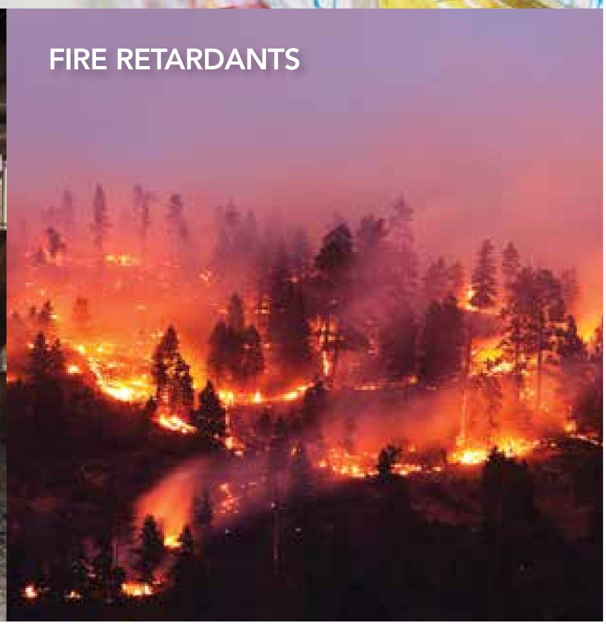

ORAL HYGIENE PRODUCTS


FERTILISERS


LCD PANELS AND
PLASMA SCREENS


PHARMACEUTICAL PRODUCTS


ANIMAL FEED


FIRE RETARDANTS

BOARD OF DIRECTORS

HONG PIAN TEE

Non-Executive Chairman and Independent Director

Mr Hong Pian Tee was appointed a Director and the Chairman of the Board of Directors on 22 August 2013. He was last re-elected on 30 April 2014. He is also a member of the Audit Committee and Remuneration Committee of the Company.

Prior to retiring from professional practice, he was the Managing Director of PricewaterhouseCoopers Intrust Limited, a position he held from 1985 to 1999.

He was an Independent Director of Asia Food & Properties Limited (now known as Sinarmas Land Limited), a company listed on the Mainboard of the SGX-ST, from 2001 to 2006, and was the Chairman and Independent Director of Sin Ghee Huat Corporation Ltd., a Mainboard listed company, from 2007 to 2009. He is currently the Chairman of Pei Hwa Foundation Limited, a position he has held since 2000. For the preceding three years, he is an Independent Director of Golden Agri-Resources Ltd, Memstar Technology Ltd. and XMH Holdings Ltd., all of which are companies listed on the Mainboard of the SGX-ST.

DR. ONG HIAN ENG

CEO and Executive Director, Non-Independent

Dr. Ong Hian Eng is Executive Director and the CEO of our Company since 3 January 2012. His responsibilities include overseeing the overall development of our Group's corporate direction and policies as well as the Group's operations, and playing an active role in the development, maintenance and strengthening of strategic business relationships. He is also a member of the Nominating Committee of the Company. He has been serving as a Director and Legal Representative of Mianzhu Norwest since 1996 and January 2010, respectively.

Dr. Ong started his career at Cold Storage (Singapore) Ltd. as an executive and production manager between 1974 and 1978 and served as manufacturing manager at Rothmans of Pall Mall (Singapore) Pte. Limited between 1978 and 1981. He joined the Hwa Hong Group in 1981 as its general manager and had served as Executive Director of Hwa Hong Group and certain of its subsidiaries from February 1981 to July 2012, when he was redesignated as a Non-Executive Director.

He was a member of the Trade Development Board of Singapore from January 1995 to December 1996. He is also a member of the Singapore-Sichuan Trade & Investment Committee and honorary council member of the Singapore Chinese Chamber of Commerce & Industry.

Dr. Ong holds a Bachelor of Science (second class honours, upper division) in Chemical Engineering from the University of Surrey, and a Doctor of Philosophy from the University of London. He is a corporate member in the class of fellows of The Institution of Chemical Engineers, London since November 1986.

ONG ENG HOCK SIMON

Executive Director, Non-Independent.

Mr Simon Ong is Executive Director since 1 October 2012. He was last re-elected on 30 April 2014. His responsibilities include overseeing the human resource and general administrative functions of our Group. He has been serving as a Director of Mianzhu Norwest since January 2010.

Mr Ong started his career as an audit assistant at KPMG Peat Marwick in 1991 and was subsequently promoted to audit senior, audit supervisor and audit manager in 1992, 1994 and 1996, respectively. Between 1996 and 1999, he served as director of corporate and financial planning in King George Development Corporation. Between 2000 and 2002, he worked at KPMG as an audit manager. He was later appointed as group finance manager of Hwa Hong Corporation Limited in 2002 and promoted to Chief Financial Officer in 2004, a position he held till July 2012.

Mr Ong studied accountancy in the North East London Polytechnic and qualified as a Fellow of The Association of Chartered Certified Accountants. He is also a non-practising member of the Institute of Singapore Chartered Accountants and a member of Certified Practicing Accountant, Australia.

FRANCIS LEE FOOK WAH

Independent Director, Chairman of Audit Committee.

Mr Francis Lee was appointed a Director and the Chairman of the Audit Committee on 22 August 2013. He was last re-elected on 30 April 2014. He is also a member of the Remuneration Committee and Nominating Committee of the Company.

Mr Lee began his career in 1990 in the Commercial Crime Division of the Criminal Investigation Department, where he served as a senior investigation officer until 1993. Between 1993 and 1994, he joined OCBC Bank as an assistant manager. Between 1994 and 2001, he worked at Deutsche Morgan Grenfell Securities as a dealer's representative. He served at the Singapore branch of the Bank of China between 2001 and 2004 as an assistant manager. Between 2004 and 2005, he worked at AP Oil International Ltd as an investment and project manager. Between 2005 and 2011, he served as an Executive Director, Finance Director and Chief Financial Officer of Man Wah Holdings Ltd, a company listed on the Hong Kong Stock Exchange. He also served as a Non-Independent, Non-Executive Director of Man Wah Holdings Ltd between January 2011 and February 2012.

He is Chief Financial Officer of OKH Global Ltd, a company listed on the Mainboard of SGX-ST. He is a director of his own investment firm, Wise Alliance Investments Ltd. For

BOARD OF DIRECTORS

the preceding three years, he is an Independent Director of Sheng Siong Group Ltd., Net Pacific Financial Holdings Limited, Metech International Limited all of which are companies listed on the Mainboard and Catalist board of the SGX-ST. He was also an Independent Director of JES International Holdings Limited, a company listed on Mainboard of SGX-ST.

Mr Lee graduated from the National University of Singapore with a Bachelor's degree in Accountancy in 1990 and obtained a Master of Business Administration (Investment and Finance) from the University of Hull in 1993. He is a Chartered Accountant and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Lee is also a member of the Singapore Institute of Directors.

GOH YEOW TIN

Independent Director, Chairman of Remuneration Committee and Nominating Committee.

Mr Goh Yeow Tin was appointed a Director and the Chairman of the Remuneration Committee and Nominating Committee on 22 August 2013. He was last re-elected on 30 April 2014. He is also a member of the Audit Committee of the Company.

Mr Goh began his career with the Economic Development Board ("EDB") where he headed the Local Industries Unit and was subsequently appointed a Director of EDB's Automation Applications Centre between 1986 and 1988. He served as Deputy Executive Director of the Singapore Manufacturers' Association (now known as the Singapore Manufacturers' Federation) from 1983 to 1984. In 1988, Mr Goh joined Tonhow Industries Limited (now known as Asiamedic Limited), and served as its Deputy Managing Director until 1990. In 1989, he founded, and served as general manager of, International Franchise Pte Ltd until 1991. Between 1990 and 2000, Mr Goh served as the Vice-President of Times Publishing Limited. From 2001 to 2011, he was the CEO of Sino-Sing Center Pte. Ltd..

He is currently the Non-Executive Chairman of Seacare Medical Holdings Pte. Ltd.. For the preceding three years, he is an Independent Director of Sheng Siong Group Ltd., Lereno Bio-Chem Ltd., Vicom Ltd and Oakwell Engineering Limited, all of which are companies listed on the Mainboard of the SGX-ST and is also a Non-Executive Director of Linknet Asia Pte Ltd, WaterTech Pte. Ltd., Seacare Manpower Services Pte Ltd and Edu Community Pte. Ltd..

Mr Goh holds a Bachelor's degree in Mechanical Engineering (Honours) from the University of Singapore (now known as the National University of Singapore) and a Masters' degree in Engineering from the Asian Institute of Technology. He was awarded the Public Service Medal in 1998 and the Public Service Star in 2006. Mr Goh is also a member of the Singapore Institute of Directors.

ONG ENG SIEW RAYMOND

Non-Executive Director, Non-Independent

Mr Raymond Ong was appointed a Director on 1 October 2012.

He started his career in 1993 as a central banking officer at the Monetary Authority of Singapore, and was appointed assistant director in its insurance commissioner's department (life division) from 1998 to 2000. Between 2000 and 2002, he was regional actuarial manager of Allianz Asia Pacific Pte. Ltd. Between 2002 and 2005, he was appointed product development actuary with Aviva Ltd in Singapore, before joining CIGNA International Corporation in 2005 as its regional actuarial director. In 2006, he joined AXA Life Insurance Singapore Private Limited as its Chief Financial Officer and appointed actuary, and in 2007, he was seconded to serve as Chief Financial Officer and chief actuary of AXA-Minmetals Assurance Company Ltd (Shanghai) until 2009. Between 2009 and 2011, he served as chief actuary of Great Eastern Life Assurance (China) Co Ltd. He is currently the Chief Financial Officer of Great Eastern Life Assurance (Malaysia) Berhad.

Mr Ong holds a Bachelor of Science in Actuarial Mathematics and Statistics (first-class honours) from Heriot-Watt University, Edinburgh, United Kingdom. He is also a Fellow of the Institute of Actuaries.

ONG BEE PHENG

Non-Executive Director, Non-Independent.

Ms Ong Bee Pheng was appointed a Director on 1 October 2012.

She started her career at Ernst & Young LLP, London as an audit and tax associate before serving as associate director in the markets and clearing house division of the Monetary Authority of Singapore. Since 2005, she has undertaken various appointments in the compliance departments of various institutions including Citibank N.A., Bank Julius Baer & Co. Ltd., Barclays Bank PLC, Falcon Private Bank Ltd., and Chinatrust Commercial Bank Co., Ltd.. She is currently a compliance officer in the Singapore office of VP Bank (Singapore) Ltd..

Ms Ong holds a Bachelor of Arts in Accounting and Law (Honours) from The University of Manchester. She is also a Fellow of The Institute of Chartered Accountants in England and Wales.

SENIOR MANAGEMENT

WANG XUEBO

General Manager of Mianzhu Norwest

Mr Wang Xuebo joined the Group in 1996, and was appointed as Director and General Manager in 2002 and 2004 respectively. He is responsible for and oversees the overall operations of our Group in the PRC.

Mr Wang held various appointments at Bai Ying Non-ferrous Metals Corporation between 1972 and 1976. Between 1979 and 1986, he was a translator for the Northwestern Institute of Mining and Metallurgy. Between 1986 and 1996, he served in various appointments at China Non-ferrous Foreign Engineering and Construction Corporation including deputy general manager (Egypt market), general representative (Philippines market) and general manager (international market). Between 1996 and 2008, he also served as the general manager (PRC market) of Hwa Hong Edible Oil Industries Pte. Ltd. ("HHEO") and held various positions in Jining Ningfeng Chemical Industry Co. Ltd. including director and general manager between 1996 and 2007.

Mr Wang holds Executive Master in Business Administration from Southwestern University of Finance and Economics.

MR JAIME CHIEW

Chief Risk Officer

Mr Jaime Chiew joined the Group in 2014 as Chief Risk Officer and is primarily responsible for overseeing the Group's risk management activities, forecasting/budgeting and monitoring of key management processes.

Mr Chiew started his career at Ernst & Young London in 1998 as an audit associate in Insurance/Financial Services, where he qualified as a Chartered Accountant and was promoted to manager within Ernst & Young London's audit/regulatory advisory practice, a position he held until 2006. Between 2006 and 2014, he held various roles in Citibank Asia Pacific, primarily in financial control, planning and analysis.

Mr Chiew holds an Accounting and Finance degree (Honours) from University of Southampton, UK. He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

RACHEL GOH

Group Financial Controller

Ms Rachel Goh joined the Group as Group Finance Manager in 2011, and was promoted to Group Financial Controller in January 2013. She is responsible for the overall financial functions of our Group, including preparation of financial statements, cash management, corporate governance and internal controls.

Ms Goh started her career at KPMG in 2002 as audit assistant and was promoted to its audit senior and assistant audit manager in 2004 and 2006, respectively. Between 2007 and 2011, she was financial reporting manager of Hwa Hong Corporation Limited.

Ms Goh holds a Bachelor of Accountancy (Honours) from the Nanyang Technological University, Singapore. She is a Chartered Accountant (non-practising) of the Institute of Singapore Chartered Accountants.

LUO GUANGMING

Mining Manager of Mianzhu Norwest

Mr Luo Guangming joined the Group as mining manager in 2006. He is responsible for designing and planning the Group's mining operations, and overseeing its mining operations, including supervision of the workers and ensuring compliance with applicable safety and regulatory requirements.

Mr Luo first started his career in 1992 as a mining technology executive at the Deyang City Qingping Phosphate Mines. Between 1998 and 2002, he served as its vice manager and factory director, before serving as vice manager of its general office in 2003. Between 2003 and 2006, he served as chief engineer of Pingwu Manganese Industry Group Co., Ltd.

Mr Luo holds a Bachelor of Mining Engineering from the Wuhan Institute of Chemical Technology. He also holds a Mining Engineer Certification from the Personnel Department of Sichuan Province.

SENIOR MANAGEMENT

CHIA CHIN HAU

Manager (Special Projects)

Mr Chia Chin Hau joined the Group as Financial Controller in 2008, and was appointed as Manager (Special Projects) in 2012. He assists in the implementation of risk management and internal controls of the operations in the PRC.

Mr Chia started his career as an audit assistant at Paul Chuah & Co in 1994. Between 1995 and 2000, he served as audit senior with Tay & Associates and Hals & Associates. In 2000, he joined Pembinaan Angkasan Holding Sdn Bhd as accountant. In 2002, he joined HHEO as a special project accountant and was seconded to the PRC subsidiaries of HHEO in the same year, including serving as Financial Controller to Mianzhu Norwest for the period from 2004 to 2008.

Mr Chia holds a Master of Economics from the Universiti Putra Malaysia.

ADRIAN YEAM

Finance Manager of Mianzhu Norwest

Mr Adrian Yeam joined the Group in 2012 as management accountant and was subsequently appointed as finance manager of Mianzhu Norwest in July 2012. He is responsible for the accounting and finance department of Mianzhu Norwest.

Mr Yeam started his career at KPMG Malaysia in 2007 as audit assistant and was promoted to its audit senior and assistant audit manager in 2009 and 2011, respectively.

Mr Yeam holds a Bachelor of Business (Honours) from RMIT University, Australia. He is a member of Certified Practicing Accountant, Australia.

ZHANG YUANTING

Accountant-Operation

Mr Zhang joined the Group in 2014 as Accountant-Operations. He is responsible for management reporting and will focus on production cost reduction via improvement on operating efficiency and reduction of production wastage.

Mr Zhang started his career as process technician in Teijin Polycarbonate Singapore Pte Ltd in 1999 and was subsequently promoted to senior process technician in 2002. In 2010, he switched career and started as audit assistant in Verity Partners and was promoted to audit senior in August 2012, a position he held till 2014.

Mr Zhang Holds a Bachelor of Science (upper second class honours) in Applied Accounting in Oxford Brookes University. He is a Chartered Accountant and non-practising member of the Institute of Singapore Chartered Accountant and a member of the Association of Chartered Certified Accountant.

SUMMARY OF MINERAL RESOURCES

As at 30 September 2014

The following table summarises the Mineral Resources based on Mianzhu Norwest's mining permits. The table must be read in conjunction with the report entitled **An Updated Technical Review of AsiaPhos Limited Cheng Qiang Yan and Shi Sun Xi Phosphate Deposits, Mianzhu City, Sichuan Province, People's Republic of China** dated 21 November 2014, issued by Watts, Griffis and McOuat Limited which can be downloaded from http://www.asiaphos.com/pdf/AP_TechnicalReport_WGM_21Nov2014Final.pdf.

Category	Mineral Type	Gross Attributable to licence		Net Attributable to Issuer Assumed at 100%			Remarks
		Tonnes (millions)	Grade (P_2O_5 %)	Tonnes (millions)	Grade (P_2O_5 %)	Change from previous update[8] (%)	
Reserves							Insufficient studies to determine
Proved		–	–	–	–	–	
Probable		–	–	–	–	–	
Total		–	–	–	–	–	
Resources							
Measured	Phosphorite	18.2	27.54	18.2	27.54	65%	
Indicated*	Phosphorite	12.1	29.43	12.1	29.43	0%	
Total		**30.3**	**28.29**	**30.3**	**28.29**	**31%**	
Inferred*	Phosphorite	17.9	29.77	17.9	29.77	-5%	

* Pending renewal of Mine 2 exploration permit. The Group has applied for renewal and is awaiting for approval. Failure to receive approval will not affect current operations and is not considered material as only 1.3 million tonnes of indicated resources would be impacted.

Notes: Mineral Resources effective 30 September 2014.

1. Mineral Resources are estimated at a cutoff value of 8% P_2O_5, and a minimum phosphorite bed thickness of 0.25 m.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council June 30, 2011.
5. S.G. of 3.08 tonnes/m3 and 3.03 tonnes/m3 used for Cheng Qiang Yan and Shi Sun Xi respectively.
6. Indicated amounts may not precisely sum due to rounding.
7. Inferred Resource cannot be included in total Resource calculation under NI 43-101 Standard.
8. Previous mineral resource estimate update was prepared on March 28, 2014.

On 24 December 2014, the Singapore Exchange Securities Trading Limited ("SGX-ST") informed the Company that it has no objection to the Company's application for a waiver to comply with the requirements of Rule 1204(23)(a) and (c) under SGX-ST's Listing Manual Section B: Rules of Catalist (**"Catalist Rule"**) to include in the Company's annual report (**"Annual Report"**) a qualified person's report (**"Qualified Person's Report"**) dated no earlier than the end of the Company's financial year (i.e. 31 December 2014) in accordance with the requirements as set out in Practice Note 4C and a summary of reserves and resources as at the end of the Company's financial year as set out in Appendix 7D of the Catalist Rules supported by a qualified person's report (the **"Waiver"**).

The reasons for seeking the Waiver were as follows:

(a) The Company had on 24 November 2014 announced its updated resource estimate following the receipt of an updated technical review of the Group's Cheng Qiang Yan and Shi Sun Xi Phosphate Deposits dated 21 November 2014 (the **"Report"**). The Report was necessitated because of the need to report updated resource estimate as at 30 September 2014 as a result of the granting of the renewal of the Cheng Qiang Yan exploration right by the Sichuan Land Department (四川省国土资源厅) in August 2014 and which covers a larger exploration area of 1.54 km^2 compared to 0.55 km^2 under the old exploration license;

(b) The Company is of the view that there is no additional benefit in having a Qualified Person's Report covering resource estimate as at 31 December 2014 as it will be substantially the same as the Report dated 21 November 2014. Because of the short time span between 30 September 2014 and 31 December 2014, the Company does not have sufficient data to increase its resource estimate at the measured and indicated category or provide a reserve estimate. Accordingly, the Company does not expect that the resource estimate as at 31 December 2014 to be materially different from the resource estimate as at 30 September 2014; and

(c) Although the Company had applied for the renewal of the Shi Sun Xi exploration right (which expired on 16 June 2014) for another two years in May 2014, the Company is currently not able to estimate when it will receive approval for the renewal. The Company notes that there is adequate disclosure in the Report dated 21 November 2014 on the amount of resource contained in the area covered by the Shi Sun Xi exploration right such that the renewal or non-renewal of the exploration right will not require an updated resource estimate to be issued.

Please refer to the Company's announcement on SGXNET dated 24 November 2014 for further details.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Hong Pian Tee *(Non-Executive Chairman and Independent Director)*
Dr. Ong Hian Eng *(CEO and Executive Director)*
Ong Eng Hock Simon *(Executive Director)*
Francis Lee Fook Wah *(Independent Director)*
Goh Yeow Tin *(Independent Director)*
Ong Eng Siew Raymond *(Non-Executive Director)*
Ong Bee Pheng *(Non-Executive Director)*

AUDIT COMMITTEE
Francis Lee Fook Wah *(Chairman)*
Goh Yeow Tin
Hong Pian Tee

NOMINATING COMMITTEE
Goh Yeow Tin *(Chairman)*
Francis Lee Fook Wah
Dr. Ong Hian Eng

REMUNERATION COMMITTEE
Goh Yeow Tin *(Chairman)*
Hong Pian Tee
Francis Lee Fook Wah

COMPANY SECRETARY
Yoo Loo Ping

REGISTERED OFFICE
50 Raffles Place
#25-03 Singapore Land Tower
Singapore 048623

PRINCIPAL PLACE OF BUSINESS
Singapore
10 Kallang Avenue
Aperia,
#05-11
Singapore 339510
T: +65 6292 3119
F: +65 6292 3122

PRC
Xiangliu Village
Gongxing Town
Mianzhu City
Sichuan Province
People's Republic of China
618205
T: +86 838 626 9858
F: +86 838 626 9802

SPONSOR
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower
Level 18
Singapore 048583

Partner-in-charge
Ng Boon Heng
Date of appointment: With effect from financial year ended 31 December 2010

INDEPENDENT GEOLOGIST
Watts, Griffis and McOuat Limited
Suite 301-8 King Street East
Toronto M5C 1B5
Canada

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower
#32-01
Singapore 048623

PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#06-00 OCBC Centre
Singapore 049513

Credit Suisse AG
1 Raffles Link #05-02
Singapore 039393

China Bohai Bank
渤海银行
四川省德阳市旌阳区天山南路二段162号
162, Section 2
Tianshannanlu Jingyang Zone
Deyang City
Sichuan Province
People's Republic of China
618000

INVESTOR RELATIONS
August Consulting
101 Thomson Road
#30-02 United Square
Singapore 307591
T: +65 6733 8873
E: karenting@august.com.sg

CORPORATE SOCIAL RESPONSIBILITY

As a resource-based company, we are always aware of our responsibility towards the environment, our employees and the local community. While focusing on creating wealth by mining and exploring mineral resource, we strive to make good use of and conserve resources, protect our environment, improve the welfare of our employees, and facilitate the social and economic development of the neighbouring area. While we expand our business operations, we continuously strive to ensure that the requirements of a responsible corporate citizen are embedded within our daily operations.

ENVIRONMENTAL AND SAFETY

The Group is committed to protecting the natural environment of the vicinity where we conduct our mining and phosphate based chemical production activities.

In planning for our mining operations, we are always conscious of the safety requirements and have always challenged ourselves to surpass the requirements and continuously strived to improve the existing features.

Our mining infrastructure has been constructed to comply with the relevant PRC environmental laws and regulations. Our environmental management strategies and objectives also include effective air and water recycling measures as well as proper handling and disposal of waste rocks. Water is used with certain drilling, mining and site preparation works to reduce the exposure to dust. In addition, face masks are distributed to the employees to help further reduce the exposure to dust. Embankment walls are built to minimise sand and waste water entering the river.

We also conduct regular environmental monitoring exercises to ensure that we comply with the environmental regulations in relation to our operations. We intend to continue to take progressive steps to further improve our PRC operations and facilities beyond the requirements of applicable PRC environmental laws, rules and regulations. For example instead of releasing the gas produced during the P_4 production into the environment, we collect and use the gas for our other downstream operations so as to reduce the impact on the environment.

Since we started our mining operations in 2002, we have been cultivating a "Safety is Priority" culture, which focuses on building essential safety and eco-friendly processes, resulting in continued improvement and general awareness of safety and environmental protection amongst our employees.

In accordance with the local PRC regulations, we are in the process of constructing six safety systems within the adits "井下安全避险六大系统" for our mines. These include improved communication channels within adits, position monitoring for each miner within adits, particles/smoke monitoring system, water supply within adits, a secured shelter for miners, in the event of an emergency, within the vicinity of the adits and compressed air self-rescue devices. In FY2014, we achieved level 2 of the safety requirements, with level 5 being the highest level of requirements. Level 2 of the safety requirements allows the Group to obtain mining safety permit from the local authority. Going forward as our mining output increases, we will continue to invest and improve on the safety features and infrastructure of our mines.

We have implemented a safety management system which includes safety management plans, rules, codes of practice, manuals and procedures with which our employees are required to comply. We take active steps to ensure that our employees understand and familiarise themselves with our safety rules. Briefings on safety awareness and procedures are conducted regularly and training on basic safety skills and procedures are conducted for our employees. We ensure that our miners and our outsourced miners possess safety permits obtained after attending training organised by the relevant local safety and inspection authorities before they undertake any work at our mines. All our employees have a mandate to target zero injuries and fatalities.

We have a safety and environmental team which implements and promotes applicable legal and internal safety regulations, including i) conducting periodic safety audits and ensuring safety requirements are met; ii) conducting in-house or outsourced safety training for all our employees as well as outsourced miners; iii) conducting investigations and handling all incident reports and implementing pre-emptive measures to prevent repeat occurrence of such incidents; iv) liaising with all external safety authorities and implementing new safety regulations and initiatives; v) reviewing and improving our safety management system; and vi) transporting, handling and storing of explosives in accordance with the applicable legal regulations.

CORPORATE SOCIAL RESPONSIBILITY

Our P_4 plant has been designed with environmental and safety features to ensure that we have control over the entire production process. Fire drills are an important part of our fire safety procedures. During FY2014, we conducted fire drills monthly for our P_4 production line to test the effectiveness of the fire evacuation plan and to familarise the staff with the necessary response measures. In addition, in FY2014, we conducted an emergency evacuation drill for the entire factory. In the event of an accident or natural disaster, we are able to activate emergency response measures and limit the potential damage.

We are subject to regular and ad hoc inspections by the local safety authorities to ensure that the requisite safety requirements are met before we are allowed to continue with our mining operations.

We recognise that environmental monitoring is an ongoing obligation. We will continue to improve our safety and environmental protection efforts. We will continue to invest in safety features for our mining and downstream operations.

EMPLOYEES

The Group strives to further improve on human resource recruitment, training, appraisal and remuneration management.

At 31 December 2014, the Group employed a total of 208 employees. The Group standardised its form of employment, so as to ensure the basic rights and interests of employees are protected and to maintain good labour relations. We purchased all necessary insurance for the employees in accordance with the relevant labour laws. We ensure that our miners and our outsourced miners pass the relevant health check-ups, possesses social and commercial insurance before they undertake any work at our mines.

The Group is committed to staff upgrading. Each year, the Group sends employees to attend training, courses and seminars relevant to their scope of work, including orientation training for new employees, training for middle and senior management, professional training on geological exploration and safety training.

SOCIAL

We strive to make a positive impact on the lives of people who live in the areas where we have a presence. We, as far as possible, employ local workers and provide these workers with relevant training and skills development.

The Group is committed to being in strict compliance with the laws, responding positively to the government policies, paying taxes in due course, and helping improve local employment, making significant contribution to the local fiscal revenue.

We also participate in local community projects in the vicinity of our business operations in Mianzhu City, Sichuan Province, PRC. We seek to support and promote local businesses and economic activity by engaging them as suppliers. We currently procure all our raw materials from the local suppliers within the vicinity of our operations.

CORPORATE GOVERNANCE

To allow greater transparency and safeguarding of shareholders' interests, the Board of Directors (the "**Board**") and the management (the "**Management**") of AsiaPhos Limited (the "**Company**") are committed to maintaining a high standard of corporate governance. For the financial year ended 31 December 2014 ("**FY2014**"), the Board and Management are pleased to confirm that the Company has, in general, adhered to most of the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"), pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

This report outlines the Company's corporate governance processes and structure, with specific reference to the principles and guidelines of the Code. Where there is a deviation from the recommended guideline, proper explanation is provided.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board oversees the corporate policy and overall strategy for the Group. The principal role and responsibilities of the Board include:-

- Overseeing the overall strategic plans including considering sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group;
- Reviewing the operational and financial performance of the Group including reviewing the performance of the Management;
- Approving quarterly financial results announcements, circulars and audited financial statements and annual report;
- Overseeing and safeguarding the shareholders' interest and Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance;
- Overseeing and enhancing corporate governance and practices within the Group;
- Dealing with matters such as conflict of interest issues relating to directors and substantial shareholders, major acquisitions and disposals of material assets, dividend and other distributions to shareholders, and those transactions or matters which require Board's approval under the provisions of the Catalist Rules issued by SGX-ST, from time to time, or any applicable regulations;
- Approving changes in the composition of the Board;
- Identifying key stakeholders groups and recognising that their perceptions affect the Company's reputation; and
- Appointing the senior management, approving the policies and guidelines for the Board and senior management executives' remuneration, in addition to approving the appointment of new directors.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"). Each committee has the authority to examine issues relevant to their term of references (known as "Charter") and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board conducts scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Articles of Association of the Company allow Board meetings to be conducted via any form of audio or audio-visual communication. The directors are free to discuss any information or views presented by any member of the Board and Management. Currently, there is no specific written policy on matters reserved for the Board as this may limits the type of matters or transactions. Significant matters or transaction are notified by Management to the Board as and when they occur.

The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management.

When necessary or appropriate, members of the Board exchange views outside the formal environment of board meetings. Each Board member is expected to objectively discharge his or her duties and responsibilities at all times as fiduciaries in the best interest of the Company.

CORPORATE GOVERNANCE

The attendance record of each director at meetings of the Board and Board Committees during the FY2014 is disclosed below:

	Number of meetings attended in FY2014			
Name of director	Board	AC	NC	RC(1)
Hong Pian Tee	4	4	1(2)	1
Dr. Ong Hian Eng	4	4(2)	1	1(2)
Ong Eng Hock Simon	4	4(2)	1(2)	1(2)
Francis Lee Fook Wah	4	4	1	1
Goh Yeow Tin	4	4	1	1
Ong Eng Siew Raymond	3	3(2)	1(2)	1(2)
Ong Bee Pheng	4	4(2)	1(2)	1(2)
Number of meetings held in 2014	**4**	**4**	**1**	**1**

Note:
(1) The RC meeting was held by way of written resolutions in writing.
(2) Attended as invitee.

Newly appointed directors will be given briefings and orientation by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. The newly appointed directors will also conduct a site visit to the Group's production facilities. The newly appointed directors will be given relevant information, such as annual reports, latest internal audit reports, internal risk assessment reports and latest external auditor report, so that the newly appointed director understands the Group's financial and control environment as well as the significant risks faced by the Group. The Company did not issue letters of appointments to the directors as required under the Code as they were appointed prior to the listing of the Company and they were briefed on their duties and responsibilities by the solicitors to the Company for the listing of the Company.

The directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Company encourages the Directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and industry-related matters, to develop themselves professionally, at the Company's expense.

Board Composition And Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises seven (7) Directors, as set out below. There are two executive directors namely Dr Ong Hian Eng who is also the Chief Executive Officer and Mr Ong Eng Hock Simon. The non-executive directors comprised Mr Ong Eng Siew Raymond and Ms Ong Bee Pheng while the non-executive and independent directors comprised Mr Hong Pian Tee, Mr Francis Lee Fook Wah and Mr Goh Yeow Tin. The independent directors make up more than one-third of the Board.

CORPORATE GOVERNANCE

Director	Age	Board Membership	Date of Appointment as Director	Date of Last Re-Election	AC	NC	RC
Hong Pian Tee[1]	70	Chairman, Non-Executive and Independent	22 August 2013	30 April 2014	Member	-	Member
Dr. Ong Hian Eng[2] [5] [6] [7]	67	Executive, Chief Executive Officer ("CEO")	3 January 2012	Not applicable	-	Member	-
Ong Eng Hock Simon[5] [6] [7]	50	Executive	1 October 2012	30 April 2014	-	-	-
Ong Eng Siew Raymond[3] [5] [6] [7]	48	Non-Executive	1 October 2012	Nil	-	-	-
Ong Bee Pheng[4] [5] [6] [7]	39	Non-Executive	1 October 2012	Nil	-	-	-
Francis Lee Fook Wah	49	Non-Executive and Independent	22 August 2013	30 April 2014	Chairman	Member	Member
Goh Yeow Tin	64	Non-Executive and Independent	22 August 2013	30 April 2014	Member	Chairman	Chairman

Notes:

(1) Mr Hong Pian Tee will retire and is subject to re-election as a Director at the forthcoming Annual General Meeting ("AGM") of the Company to be held on 29 April 2015.

(2) Dr Ong Hian Eng, as CEO, is not subject to rotation as provided for in the Articles of Association of the Company.

(3) Mr Ong Eng Siew Raymond will retire pursuant to Article 88 of the Articles of Association of the Company and is subject to re-election as a Director at the forthcoming AGM of the Company to be held on 29 April 2015.

(4) Ms Ong Bee Pheng will retire pursuant to Article 88 of the Articles of Association of the Company and is subject to re-election as a Director at the forthcoming AGM of the Company to be held on 29 April 2015.

(5) Mr Ong Eng Hock Simon is the nephew of our CEO, the brother of Mr Ong Eng Siew Raymond and Ms Ong Bee Kuan Melissa, a substantial shareholder of the Company and cousin of Ms Ong Bee Pheng.

(6) Mr Ong Eng Siew Raymond is the nephew of our CEO, the brother of Mr Ong Eng Hock Simon and Ms Ong Bee Kuan Melissa, a substantial shareholder of the Company and the cousin of Ms Ong Bee Pheng.

(7) Ms Ong Bee Pheng is the daughter of our CEO, the cousin of Mr Ong Eng Hock Simon, Mr Ong Eng Siew Raymond and Ms Ong Bee Kuan Melissa, a substantial shareholder of the Company and the spouse of Mr Jaime Chiew Chi Loong, our Chief Risk Officer.

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition. In respect of the review of the independence of each director, the NC assessed the independence of each Director and considered that Mr Hong Pian Tee, Mr Francis Lee Fook Wah and Mr Goh Yeow Tin to be independent.

Details of directors' qualifications and experiences are set out on pages 12 and 13 of this Annual Report.

The Board has sought and obtained written confirmation from each of the current independent directors that, apart from their office as Directors of the Company, none of them has any other relationship (business or otherwise) with the Company, its subsidiaries, related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment with a view to the best interests of the Company.

Each member of the NC has abstained from deliberations in respect of the assessment of his own independence.

The NC reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of chemical engineering, business and management, accounting and finance, actuarial and compliance. The non-executive directors constructively challenge and assist in the development of the business strategies, and assist the Board in reviewing and monitoring the Management's performance against set targets.

CORPORATE GOVERNANCE

Where necessary or appropriate, the independent directors may meet separately without the presence of Management. The other 2 non-executive directors would recuse themselves during such meetings given the familial relationship with the Management.

Chairman And Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and Chief Executive Officer (the "CEO") in the Company are separate. Mr Hong Pian Tee is the Chairman of the Board and is an independent non-executive director. Dr. Ong Hian Eng is the CEO. The Chairman and the CEO are not related.

The CEO has the executive responsibility for the day-to-day operations of the Group whilst the Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the CEO and fellow directors and other executives, and if warranted, with professional advisors and ensures adequate time allocated to discuss the items. He also ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. The Chairman assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of non-executive directors and independent directors during the Board meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Company has established the NC to make recommendations to the Board on all Board appointments. The key duties and responsibilities of the NC under its Charter include:

- The review of board succession plans for Directors, in particular, the Non-Executive Chairman and for the CEO and Executive Director;
- The development of a process for evaluation of the performance of the Board, its board committees and Directors;
- The review of training and professional development programs for the Board;
- Reviewing and sighting all resignation and authorisation letters of the Legal Representatives of Sichuan Mianzhu Norwest Phosphate Chemical Company Limited ("Mianzhu Norwest") which have been signed in advance and held in custody by the company secretary;
- The appointment and re-appointment of Directors (including alternate Directors, if applicable);
- To determine annually, and as and when circumstances require, whether or not a Director is independent, bearing in mind the salient factors set out in the Code;
- Where a Director has multiple board representations on various companies, to determine if the Director is able to and has been adequately carrying out his/her duties as a director of the Company, having regard to the Director's number of listed company board representations and other principal commitments;
- Where an individual is to be appointed as alternate Director to:

    a) an Independent Director, to review and conclude that the individual would similarly qualify as an Independent Director, before his appointment as an alternate Director; and

    b) a Director who is not an Independent Director, to ensure that the alternate Director is familiar with the affairs of the Company and appropriately qualified;

- To review and approve any new employment of related persons and the proposed terms of their employment;
- To decide how the Board's performance is to be evaluated and propose objective performance criteria, which allow for comparison with industry peers, and should be approved by the Board and address how the Board has enhanced long-term shareholder value;

CORPORATE GOVERNANCE

- To assess the effectiveness of the Board as a whole and its committees and assess the contribution by the Chairman of the Board and each individual Director to the effectiveness of the Board and to implement performance evaluation established and approved by the Board;
- To implement a process for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the chairman of the Board and each individual Director to the effectiveness of the Board;
- To assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties);
- To review and make recommendations on all nominations of Directors (including the Independent Directors) for re-appointment and re-election having regard to the Director's past contributions and performance;
- To establish the criteria and desirable attributes of new appointees to the Board and to make recommendations to the Board on all Board appointments including Committee appointments; and
- To engage external search consultants to search for new Directors, if necessary.

The NC comprises three directors, of which, two, including the Chairman, are non-executive and independent. The Chairman is not a substantial shareholder or directly associated with a substantial shareholder.

The NC members are:
- Goh Yeow Tin (Chairman)
- Francis Lee Fook Wah
- Dr. Ong Hian Eng

At each AGM of the Company, the Articles of Association of the Company requires one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that no Director holding office as Managing Director (in the case of the Company, the CEO) to be subject to retirement by rotation or be taken into account in determining the number of Directors to retire, being one third of those who have been longest in office since their last re-election.

The retiring directors submit themselves for re-nomination and re-election. Newly appointed directors are required to submit for re-election. Accordingly, Mr Ong Eng Siew Raymond and Ms Ong Bee Pheng are the two directors retiring via rotation at the forthcoming AGM. Both directors are eligible and had consented for re-election. The NC, having considered their performance and contributions, has recommended these two retiring directors for re-election at the forthcoming AGM. Subject to being duly re-elected at the forthcoming AGM, Mr Ong Eng Siew Raymond and Ms Ong Bee Pheng will remain as Non-Executive Directors of the Company.

Mr Hong Pian Tee was last re-elected as a director at the AGM on 30 April 2014. Pursuant to Section 153(6) of the Companies Act, his tenure of appointment will expire at the forthcoming AGM. Therefore, the Board had recommended the re-appointment of Mr Hong Pian Tee as a director under Section 153(6) of the Companies Act for shareholders' approval at the forthcoming AGM. Upon being duly re-appointed at the forthcoming AGM, Mr Hong Pian Tee will remain as the Non-Executive and Independent Chairman of the Board, and members of both the AC and RC.

Currently, there is no formal policy with regard to diversity in identifying director nominees. In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, qualifications, experience and knowledge that the candidate brings and which could benefit the Board. Other important issues to be considered as part of the process for the selection, appointment and re-appointment of Directors include composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candor), if applicable, as an Independent Director. The NC may also engage external search consultants to search for new Directors at the Company's expense. New directors are appointed by way of a board resolution after the NC recommends the appointment for approval of the Board.

The NC also considered, and is of the opinion, that the multiple board representations held by directors of the Company do not impede their performance in carrying out their duties to the Company. For FY2014, the Board did not set any cap on the number of directorship given that all Non-Executive or Independent Directors were able to dedicate their time to the business of the Company. Nevertheless, if the Board finds that time commitment is lacking from any particular director, they may consider imposing a cap in future. There is no Independent Director who has served beyond nine years since the date of his first appointment.

CORPORATE GOVERNANCE

The following key information regarding directors are set out on the following pages of this Annual Report:

(a) Pages 12 to 13 – Academic and professional qualifications, date of first appointment as director, date of last re-election as director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) Page 35 – Shareholdings, if any, in the Company and its subsidiaries.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC is responsible for assessing the effectiveness of the Board as a whole and the committees and for assessing the contribution of each individual director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The criteria for evaluation of the performance of individual directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, director's attendance at meetings and his contribution and performance at such meetings. The NC and the Board strives to ensure that each director, with his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC meets twice a year, and as warranted by circumstances, to discharge its functions. For FY2014, the NC had met once, as there were no matter that required a second meeting to be held.

The NC has in place a Board performance evaluation whereby the Board will complete a group assessment collectively given that the decision of the Board are often made collectively. The Company Secretary was requested to collate the Board's evaluations and provide the summary observations for the NC Chairman and Board Chairman. The NC had concurred that it would be meaningful to evaluate the performance of the Board as a group collectively for FY2014.

The Board completed an evaluation form, assessing the Board's and the individual committees' performance in FY2014. Based on the results of the evaluation, the Board and the individual committees broadly met their objectives and were effective in FY2014. The NC will monitor and seek continuous improvements in the evaluation process.

Access To Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management including the Executive Directors keeps the Board apprised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Key executives who can provide additional insight into the matters at hand would be invited to the Board meeting.

Prior to any meetings of the Board or committees, directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Company and the Group.

Before each meeting, Management would provide the Board members with the required explanatory documents relating to matters to be brought before the Board. Copies of disclosure documents, budgets, forecasts, quarterly internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance would be tabled by Management to the Board for review and discussion during the Board meeting.

CORPORATE GOVERNANCE

The Directors also have separate and independent access to the Company Secretary who attends all Board and its committees' meetings. The role of the Company Secretary are defined and includes responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its board committees and between Management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The appointment and removal of the Company Secretary is subjected to the approval of the Board as a whole.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The roles, duties and responsibilities of the RC cover the functions described in the Code including but not limited to, the following:

- To review and recommend to the Board a general framework of remuneration for the Board and key management personnel of the Company, and to review and recommend to the Board specific remuneration packages for each Director and key management personnel. The level and structure of remuneration packages shall be aligned with the long-term interest and risk policies of the Company, and shall be appropriate to attract, retain and motivate (i) the Directors to provide good stewardship of the Company; and (ii) the key management personnel to successfully manage the Company;
- Submit recommendations of remuneration for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind, are covered by the NC;
- To seek expert advice inside and/or outside the Company on remuneration of all Directors, and to ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;
- To determine the contents of any service contracts for any Executive Director or key management personnel, and to consider what compensation commitments the Executive Directors' or key management personnel's contracts of service, if any, would entail in the event of termination to ensure that such service contracts contain fair and reasonable termination clauses, with a view to be fair and avoid rewarding poor performance;
- To administer and approve any long-term incentive schemes (including share schemes as may be implemented) which may be approved by shareholders and to consider whether Executive Directors or key management personnel should be eligible for benefits under such long-term incentive schemes; and
- To consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders.

The RC comprises entirely of Non-Executive Directors, all of whom are independent. The RC members are:

- Goh Yeow Tin (Chairman)
- Hong Pian Tee
- Francis Lee Fook Wah

Members of the RC will ensure that they do not set their own remuneration. No member of the RC is involved in setting his/her remuneration packages. As and when deemed appropriate by the RC, independent expert advice is or will be sought at the Company's expense.

All recommendations made by the RC on remuneration of Directors and key executives will be submitted for endorsement by the Board.

The RC meets at least twice a year, and as warranted by circumstances, to discharge its functions. For FY2014, the RC did not meet formally but carried out discussions via email and circulated the required written resolutions in writing for approval by all members.

CORPORATE GOVERNANCE

Level And Mix Of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose

The RC recommends to the Board the quantum of Directors' fees and the Board in turn endorses the recommendation for shareholders' approval at each AGM. To facilitate timely payment of Directors' fees, the Company has recommended for the Directors' fees to be paid, in arrears, on a quarterly basis.

The remuneration packages take into consideration the performance of the Group and individual assessment of each Non-Executive Director, the level of contribution to the Company and Board, taking into account various factors including but not limited to efforts and time spent, responsibilities and duties of the Directors.

For the Executive Directors and key executives, each of their service agreements and/or compensation packages is reviewed by the RC. The service agreements are for an initial period of three (3) years (unless terminated by (i) either party giving not less than six (6) months' notice in writing to the other; or (ii) the Company paying salary in lieu of the period of time) with effect from the date of admission of the Company to Catalist on 7 October 2013.

These service agreements cover the terms of employment and specifically, the salaries and bonuses of the Executive Directors and key executive. The Company may terminate a service agreement if, inter alia, the relevant Executive Director or key executive is guilty of dishonesty or serious or persistent misconduct, become bankrupt or otherwise act to the Company's prejudice. Directors' fees do not form part of the terms of these service agreements of the Executive Directors.

Pursuant to the terms of the service agreements, each of the Executive Directors was entitled to a monthly salary of S$10,900, an annual wage supplement of one (1) month's salary and an annual incentive bonus based on the Group's profits before tax in FY2014. Pursuant to the terms of the service agreement with our key executive, Mr Wang Xuebo, he was entitled to receive (i) US$6,100 per month, to be paid by Norwest Chemicals Pte Ltd; and (ii) RMB30,230 per month, to be paid by Mianzhu Norwest in FY2014. He is also entitled to an annual incentive bonus of two per cent. (2%) of the Group's profits before tax. The Group considers profits to be the main condition for the determination of payment of incentives to management as this will align performance to shareholder interest.

The Group recognises that the remuneration should be linked to performance and has structured the service agreements accordingly. The Group will continue to reward Executive Directors and key management personnel based on achievement of long-term goals set by the Board. In FY2015, barring unforeseen circumstances, the Group intends to award shares pursuant to the AsiaPhos Performance Share Plan, so that employees' interest to that of the Group can be better aligned.

In FY2014, although the Group's performance improved considerably, the profits before tax was largely boosted by fair value gains on convertible loan note, call-put option and redeemable preference shares. As such, no incentive bonus was recommended even though the Group has technically met the required profits before tax for incentive bonus to be made payable to the Executive Directors and key executive.

The RC will ensure that the independent directors are not overcompensated to the extent that their independence may be compromised. To encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders, they are able to participate in the AsiaPhos Performance Share Plan. During FY2014, the RC reviewed the compensation and remuneration packages and believes that the Directors and Management are sufficiently compensated.

For FY2014, the Company did not engage any external remuneration consultant to assist in the review of compensation and remuneration packages.

Disclosure On Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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The breakdown (rounded to nearest thousands of dollar) of the remuneration of directors of the Company for FY2014 is set out below:

Below $250,000	Salary and allowance ($'000)	Annual Wage Supplement ($'000)	Directors' fees ($'000)	Total ($'000)
Hong Pian Tee	–	–	60	60
Dr. Ong Hian Eng [1]	131	23	–	154
Ong Eng Hock Simon [1] [2]	137	25	–	162
Francis Lee Fook Wah	–	–	60	60
Goh Yeow Tin	–	–	60	60
Ong Eng Siew Raymond [1] [2]	–	–	30	30
Ong Bee Pheng [1] [2]	–	–	30	30

(1) CEO and Executive Director, Dr. Ong Hian Eng is the father of our Non-Executive Director, Ong Bee Pheng. He is also the uncle of our Directors Ong Eng Hock Simon and Ong Eng Siew Raymond.

(2) Directors, Ong Eng Hock Simon and Ong Eng Siew Raymond, are siblings. They are also cousins of our Non-Executive Directors, Ong Bee Pheng and nephews of our CEO and Executive Director, Dr. Ong Hian Eng.

The breakdown (in percentage terms) of the remuneration of 5 top key executives of the Group for FY2014 is set out below:

Below $250,000	Designation, Name of Entity	Salary and Allowance (%)	Annual Wage Supplement (%)	Total (%)
Wang Xuebo	General Manager, Mianzhu Norwest	93.3	6.7	100.0
Luo Guangming	Mining Manager, Mianzhu Norwest	61.2	38.8	100.0
Jaime Chiew Chi Loong [1]	Chief Risk Officer, AsiaPhos	84.8	15.2	100.0
Chia Chin Hau	Manager, Special Projects, AsiaPhos	83.9	16.1	100.0
Rachel Goh	Group Financial Controller, AsiaPhos	84.7	15.3	100.0

(1) Our Chief Risk Officer, Mr Jaime Chiew Chi Loong, is the spouse of our Non-Executive Director, Ms Ong Bee Pheng and son-in-law of CEO and Executive Director, Dr. Ong Hian Eng. Mr Jaime Chiew Chi Loong remuneration was above $50,000 but below $100,000.

Given the highly competitive conditions of the mining industry, and the prevalent poaching of experienced executives, the Company believes that the disclosure of the total remuneration of each individual executive as recommended by the Code may not be in the best interest of the Group. Nevertheless, the Company has sought to provide the remuneration of these executives in the bands of $250,000 and also a breakdown in percentage terms.

In aggregate, the total remuneration paid to the 5 top key executives was $656,100 in FY2014.

No termination, retirement and post-employment benefits were granted to directors, CEO and employees of the Group.

Save as disclosed, there is no family relationship between any of our Directors and/or key executives, or between any of our directors and key executives and there is also no employee who is an immediate family member of a director or CEO, and whose remuneration exceeded $50,000 during FY2014.

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SHARE OPTIONS SCHEME AND PERFORMANCE SHARE SCHEME

The Company has not implemented any employee share option scheme. Instead, upon admission to Catalist, the Company had adopted a performance share plan known as "AsiaPhos Performance Share Plan" (the "**Share Plan**") which was approved by the shareholders of the Company at an extraordinary general meeting held on 22 August 2013.

Details of the Share Plan are disclosed on in the Report of the Directors.

To motivate Executive Directors and key management, the awards granted under the Share Plan will primarily be performance-based, incorporating an element of stretched targets for senior executives and considerably stretched targets for key senior management, aimed at delivering long-term shareholder value. Examples of performance targets to be set include targets based on criteria such as medium- and long-term corporate objectives of our Group, and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth.

The performance targets could be based on criteria such as sales growth, growth in earnings and return on investment. Additionally, *inter alia*, the participant's length of service with the Company, achievement of past performance targets, extent of value-adding to the Company's performance and development and overall enhancement to shareholder value will be taken into account.

The Share Plan is administered by the RC and no shares have been awarded to any participant under the Share Plan since adoption and for FY2014. No share have been awarded to any participant, which, in aggregate, represent five per centum (5%) or more of the aggregate number of new shares available under the Share Plan and as such, no vesting of shares has taken place.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). During FY2014, pending the completion of the implementation of the Group's new computer system and Enterprise Resource Planning System, Management provided Non Executive Directors quarterly report with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates. All Directors are provided immediate updates through emails, from time to time, by the Executive Directors for any material transactions or matters that may be brought to their attention.

The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management. Through the advice rendered by the professionals and the Sponsor, the Board have, from time to time, taken adequate steps to comply with all relevant requirements of the Catalist Rules. Given legislation changes from time to time, there are no written policies other than relying on the advices of the professional to update the Board.

The AC reports to the Board on the results for review and approval. The Board approves the results after review and authorises the release of the results to SGX-ST and the public. Where possible, the Company holds quarterly briefings on its results announcements one (1) business day after the results announcement. The Company also uploads latest announcement(s) which has been disseminated via SGXnet on its website www.asiaphos.com.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

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The AC, on behalf of the Board, reviews the Group's system of internal controls, including financial, operational and compliance controls, information technology, sustainability, and risk management policies and systems established by Management annually. This ensures that such system is sound and adequate and effective to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding shareholders' interests and the Group's assets. The Group currently does not have a formal risk management committee but the Management regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC. The Board is ultimately responsible for the Group's risk management. The Risk Statement can be found on page 33.

The Group's financial risk management objectives and policies are discussed further in note 33 to the financial statements. The Board has also received assurance from the CEO and the Executive Director, overseeing the finance function, that i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; ii) the Group's risk management and internal control systems are effective.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Based on the review, work done by the internal auditors (see Principle 13) and external auditors, and report by Management on Corporate Social Responsibility, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance risks, information technology, sustainability, risk management systems or significant business risks are adequate and effective.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The duties and functions of the AC include the following:

- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors annually;
- reviewing the significant financial reporting issues and judgments with the Management and external auditors so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance before the submission of the same to the Board;
- conducting an annual review of the effectiveness and adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems established by the Management. Such reviews may be carried out internally or with the assistance of any competent third parties;
- reviewing the adequacy and effectiveness of the Company's internal audit;
- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, and the Management's response;
- meeting with external and internal auditors, in each case without the presence of the Management, at least annually and review the co-operation given by the Management to external and internal auditors;
- reviewing and approving interested person transactions and reviewing procedures thereof;
- reviewing potential conflicts of interests (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests; and
- nominating persons as internal and external auditors (notwithstanding anything contained in the Company's Articles of Association or under section 205 of the Companies Act of Singapore), review their appointment or re-appointment as well as matters relating to their remuneration, resignation or dismissal or terms of engagement.

The AC comprises three members, all of whom are non-executive, independent directors. The members of the AC are:

- Francis Lee Fook Wah (Chairman)
- Hong Pian Tee
- Goh Yeow Tin

The Board believes that the members of the AC are appropriately qualified to discharge their duties and responsibilities.

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The AC has explicit authority to investigate any matter within its Charter. It has full access to Management and full discretion to invite any director or key executive to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly. The Executive Directors and key executives were invited to be present at the AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group.

The AC met up with the external auditors without the presence of Management. The external auditors were also invited to be present at all AC meetings held during the year to, inter alia, answer or clarify any matter on accounting and auditing or internal controls.

During FY2014, the Group paid $16,700 to the external auditors and its member firms for their roles as tax advisors.

The AC is of the opinion that the independence and objectivity of the external auditors have not been affected. A table on the audit and non-audit fees paid to Ernst & Young LLP ("EY") and its member firms are as follows:

Service Category Fees	EY entities in Singapore $'000	Overseas EY entities $'000
Audit Services	68.0	77.3
Non - Audit Services	16.7	–
Total	84.7	77.3

The financial statements of the Company and its subsidiaries are audited by EY and its member firm. The AC and the Board are of the view that the audit firms are adequately resourced, of appropriate standing with international affiliation. They have reviewed and are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company and that the Company has complied with Rule 712 and Rule 715 of the Catalist Rules.

The AC has recommended to the Board the re-appointment of EY as external auditors of the Company at the forthcoming AGM.

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to report directly either to their supervisor or the AC Chairman in writing or telephone or meet in confidence at a location to be determined together. The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility.

For FY2014, the Board has assessed and reviewed, together with the assistance of the NC, and are of the view that the members of the AC are appropriately qualified to discharge their responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. In addition, two (2) of the members of the AC have relevant accounting and related financial management expertise, experience and knowledge and the AC chairman is a Chartered Accountant and non-practising member of the Institute of Singapore Chartered Accountants.

In FY2014, the AC was provided with information on accounting and regulatory updates, including Financial Reporting Standards, SGX listing rules, the Companies Act as well as other updates such as Guidebook for AC issued by Monetary Authority of Singapore.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC relies on reports from the Management and external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto. For FY2014, the AC had received assurance from the Management on:

- The maintenance of proper accounting and other records and an adequate systems of internal accounting controls;
- Preparation of financial information which in their opinion, presented a true and fair view of the Group's operations and financial position, in all material aspects and was in accordance with Singapore's Financial Reporting Standards; and
- The design, implementation, operation and effectiveness of accounting and internal control systems that are designed to prevent and detect fraud and errors.

Currently, the Group has outsourced its internal audit function to a big 4 accounting firm (the "IA") which reports directly

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to the AC. The IA has an administrative reporting function to Management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned. The work undertaken by the IA, are carried out in accordance to the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and includes the auditing of the Group's system of internal financial, operational and compliance controls over its key operations. The IA will report their audit findings and recommendations directly to the AC. The internal audit plan, findings and recommendations drawn up by the IA are reviewed and approved by the AC.

The AC is satisfied that the IA has the relevant qualification, experience, adequately resourced, independent and also has the sufficient assistance from the Management to perform their functions effectively and is adequate for the operations of the Company. The IA also has unfettered access to the Company's documents, records, properties and personnel and including direct access to the AC.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of the shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. The information is communicated to the shareholders via:

- annual reports - The Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules; and
- SGXnet and press releases on major developments of the Group.

Annual reports, SGXnet disclosures and press releases of the Group are also available on the Company's website at www.asiaphos.com. Where possible, the Company holds quarterly briefings on its results announcements a business day after the results announcement are published via SGXnet. The Company also publishes the presentation slides used during the briefings on SGXnet and on its website www.asiaphos.com. The Group has also engaged an external investor relations firm to assist in its investor communications and press releases.

At the forthcoming AGM, shareholders will be given the opportunity to air their views and ask directors or Management questions regarding the Company and the Group. Notices of AGM will be sent together with the annual reports, released on SGXnet and on the Company's website as well as published in the newspapers to inform shareholders of upcoming meetings. All resolutions will be put to vote by way of a poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

The Board, Management and the external auditors will also be present to address any relevant queries the shareholders may have. At the forthcoming AGM, the Company will prepare the minutes of the AGM which would include substantial or relevant comments from shareholders and responses of the Board and Management, and the minutes of the AGM will be made available to shareholders upon their request.

Under the existing Articles of Association of the Company, the Company's current Articles of Association do not allow for abstentia voting at general meetings of shareholders as authentication of shareholder identity information and other related security issues remains a concern. However, a shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder.

The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Group is subject to many factors, including but not limited to, the Group's results of operations, cash flows and financial position, the Group's expansion and working capital requirements and the Group's future growth and prospects. The Company did not declare dividends for FY2014 to conserve cash and better meet its business needs and plans as announced on SGXNet previously.

(E) DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all employees within the Group. The Company will also send a notification via email to notify all its officers and employees a day prior to the close of window for trading of the Company's securities.

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Directors and employees of the Company are reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities & Futures Act, Chapter 289 of Singapore.

The internal code on dealings in securities also makes clear that it is an offence to deal in the Company's securities and securities of other listed companies, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and
ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end on the date of the announcement of the relevant results of the Company.

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

On 21 June 2013, Dr Ong Hian Eng (our Chief Executive Officer and Executive Director), Mr Ong Kwee Eng (an associate of Dr Ong Hian Eng), and our key executives Mr Wang Xuebo and Mr Chia Chin Hau 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. No fees were paid or benefits given to the above-mentioned individuals in connection with the deed of indemnity. Please refer to the Group's offer document dated 25 September 2013 under the section "Interested Person Transactions – Present and Ongoing Interested Period Transactions" (Page 191) for details.

Other than the above interested person transaction which has been deemed approved by our Shareholders, there were no other interested person transactions in FY2014.

The Company also does not have any IPT Mandate which is subject to shareholders' approval at the forthcoming AGM.

(G) USE OF PROCEEDS (CATALIST RULE 1204(5F) AND (22))

As of the date of this report, the utilisation of the Group's IPO net proceeds is set out below:

Use of Proceeds	Amount allocated (as stated in Offer Document) ($'000)	Amount utilised as at the date of this report ($'000)	Balance of net proceeds as at the date of this report ($'000)
Development and expansion of the Mining Operations	8,500	(2,211)	6,289
Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme	11,499	(8,274)	3,225
Working capital	1,553	(7,778)	(6,225)
Net proceeds	**21,552**	**(18,263)**	**3,289**

Note:
(1) Out of the $7.8 million used as working capital at the date of this announcement, an amount of $0.2 million was in relation to the listing expenses incurred in addition to the estimated expenses of $2.8 million as disclosed in the offer document. Pending the deployment of proceeds for the allocated amount for mining operations and Phase 2 of the Rebuilding Programme, the Group utilised $7.6 million from the IPO proceeds for working capital to fund (i) the purchases of material and supplies; (ii) the production of rocks and P_4, (iii) repayment of bank borrowings and (iv) credit extended to customers for sale of rocks and P_4. The Group has in March 2015 received the land use certificate for the Phase 2 land dated 28 February 2015.

(H) MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors as mentioned earlier in this report, no material contract involving the interests of any Director or controlling shareholders of the Company has been entered into by the Company or any of its subsidiaries for FY2014.

(I) NON-SPONSOR FEES (CATALIST RULE 1204(21))

No non-Sponsor services were rendered by the Company's Sponsor, United Overseas Bank Limited, to the Group for FY2014.

RISK STATEMENT

The Group recognises that risk is inherent in business and operations and these are commercial risks to be taken in the course of generating a return on business activities. The Group's policy is that risks should be managed within the Group's overall risk tolerance.

In FY2013 and FY2014, the Group engaged an external consultant to facilitate in identifying and ranking of business and process risk as well as the existing controls on the risks. The key findings from this risks and controls identification review as well as proposed steps to be taken by the management had been reported to the Audit Committee (the "AC") and Board of Directors (the "Board").

The Management regularly reviews the Group's business and operational activities to identify areas of significant business and process risks, as well as appropriate measures through which to control and mitigate these risks. On an on-going basis, the Management reviews all significant business processes and control policies and procedures, and highlights all significant matters to the Board and AC.

The main objective of risk management policies of the Group is to protect the Group against material losses that may result from taking on unnecessary risks for which it has not been adequately compensated. The Board's philosophy on risk management is that all risks must be identified, understood, monitored and managed. Furthermore, risk management processes must be closely aligned to the Group's vision and strategy.

The Group believes that effective risk management is the responsibility of all directors and managers and that the Board is ultimately responsible for the oversight of the Group's overall risk management systems and policies. The AC assists the Board on the oversight of financial reporting risks, adequacy and effectiveness of the Group's internal controls and risk management system, information technology controls and other operational risks. A sound system of internal control is essential and in this regard, the responsibilities of process managers are designed such that there is adequate segregation of duties so that there is a system of checks and balances in the key areas of operations.

Currently, the Group has outsourced its internal audit function to a big 4 accounting firm (the "IA"). The work undertaken by the IA, are carried out in accordance with internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, includes the auditing of the Group's system of internal financial, operational and compliance controls over its key operations. The IA will report their audit findings and recommendations directly to the AC.

Additionally, in performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that the auditors intend to rely on that are relevant to the Group's preparation of financial statements. The external auditors also report any significant deficiencies, if any, in such internal controls to the AC.

AC reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors and IA.

Although the Group currently does not have a formal risk management committee, the Management regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC. For more detailed discussion on the Group's financial risk management objectives and policies, they can be found in note 33 to the financial statements.

Based on the review, work done by the IA and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing the financial, operational, compliance risks, information technology, sustainability, risk management or significant business risks are adequate.

CONTENT PAGE

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of AsiaPhos Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

DIRECTORS

The directors of the Company in office at the date of this report are:

Hong Pian Tee
Ong Hian Eng
Ong Eng Hock Simon
Ong Bee Pheng
Ong Eng Siew Raymond
Francis Lee Fook Wah
Goh Yeow Tin

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of the financial year**	**At the end of the financial year**	**At the beginning of the financial year**	**At the end of the financial year**
The Company ***AsiaPhos Limited*** (Ordinary shares)				
Hong Pian Tee	–	306,000	–	–
Ong Hian Eng	6,164,384	6,164,384	548,932,174	548,932,174
Ong Eng Hock Simon	2,919,306	2,919,306	538,724,137	538,724,137
Ong Eng Siew Raymond	2,919,306	2,919,306	539,372,868	539,372,868
Ong Bee Pheng	9,408,037	9,408,037	–	–
Ultimate holding company ***Eastcomm Pte Ltd*** (Ordinary shares)				
Ong Hian Eng	3,322,500	3,322,500	–	–
Ong Eng Hock Simon	–	–	3,322,500	3,322,500
Ong Eng Siew Raymond	–	–	3,322,500	3,322,500

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

There is no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

By virtue of Section 7 of the Singapore Act, Cap.50, Ong Hian Eng, Ong Eng Hock Simon, Ong Eng Siew Raymond and Ong Bee Pheng are deemed to have an interest in shares of the subsidiaries of the Company.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in this report, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

ASIAPHOS PERFORMANCE SHARE PLAN (THE "SHARE PLAN")

The Share Plan of the Company was approved at an Extraordinary General Meeting held on 22 August 2014. The Share Plan fosters a framework of ownership within our Group which coordinates the interests of our Group Executives (including Directors of the Company) with interests of shareholders.

Unless otherwise defined, all defined terms shall have the same meanings as set forth in the Offer Document of the Company dated 25 September 2013.

The Share Plan is administered by the Remuneration Committee (the "RC") comprising

- Goh Yeow Tin (Chairman)
- Hong Pian Tee
- Francis Lee Fook Wah

The following persons are eligible to participate in the Share Plan

(a) Group Executives who have attained the age of 21 years as of the award date;

(b) Group Executives Directors and Group Non-Executive Directors (including Independent Directors); and

(c) Persons who meet the criteria of (a) and (b) above and who are Controlling Shareholders or Associates of a Controlling Shareholder, provided that the participation of and the terms of each grant and the actual number of Awards granted under the Share Plan to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by independent shareholders in general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (i) his participation; and (ii) the terms of each grant and the actual number of Awards to be granted to him, provided always that it shall not be necessary to obtain the approval of independent shareholders for the participation in the Share Plan of a Controlling Shareholder or an Associate of a Controlling Shareholder who is, at the relevant time already a Participant.

Participants must not be an undischarged bankrupt and must not have entered into a composition with his creditors.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

The RC shall decide, in relation to an Award:

(a) the Participant;
(b) the Award Date;
(c) the Performance Period;
(d) the number of Shares which are the subject of an Award;
(e) the Performance Condition(s);
(f) the Release Schedule; and
(g) any other condition(s) which the Committee may determine in relation to that Award.

A member of the RC who is also a Participant shall not be involved in the RC's deliberation in respect of Awards granted or which will be granted to him.

The aggregate number of shares which may be issued or transferred pursuant to Awards granted under the Share Plan, when added to (i) the number of shares issued and issuable and/ or transferred or transferable in respect of all Awards granted thereunder; and (ii) all shares issued and issuable and/ or transferred or transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company for the time being in force, shall not exceed fifteen per cent. (15%) of the entire issued and paid-up share capital (excluding treasury shares) of our Company on the day preceding the relevant date of the Award.

In addition, the number of shares available to Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:

(a) the aggregate number of Shares comprised in Awards granted to Controlling Shareholders or Associates of Controlling Shareholders under the Share Plan shall not exceed twenty-five per cent. (25%) of the aggregate number of Shares (comprised in Awards) which may be granted under the Share Plan; and

(b) the number of Shares available to each Controlling Shareholder or Associate of a Controlling Shareholder shall not exceed ten per cent. (10%) of the Shares available under the Share Plan.

The Share Plan shall continue in force at the discretion of the RC, subject to a maximum period of ten (10) years commencing on the date on which the Share Plan is adopted by our Company in general meeting, provided always that the Share Plan may continue beyond the above stipulated period with the approval of Shareholders in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Share Plan, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

Since the adoption of the Share Plan and for the financial year ended 31 December 2014, no share has been awarded to any participant under the Share Plan. No shares has been awarded to any participant, which, in aggregate, represent five per centum (5%) or more of the aggregate number of new shares available under the Share Plan and as such, no vesting of shares has taken place.

DIRECTORS' REPORT (cont'd)

AUDIT COMMITTEE

The audit committee (the "AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50. The functions performed are set out in the Corporate Governance Report.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four (4) meetings during the year with full attendance from all members. The AC has also met with the internal and external auditors, without the presence of the Company's management, once a year.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Ong Hian Eng
Director

Ong Eng Hock Simon
Director

27 March 2015

STATEMENT BY DIRECTORS

We, Ong Hian Eng and Ong Eng Hock Simon, being two of the directors of AsiaPhos Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Ong Hian Eng
Director

Ong Eng Hock Simon
Director

27 March 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AsiaPhos Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 41 to 96, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company, and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

27 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Revenue	5	23,822	8,458
Cost of sales		(19,138)	(5,908)
Gross profit		4,684	2,550
Other income	6	21,781	1,883
Selling and distribution costs		(624)	(306)
General and administrative costs		(5,348)	(6,244)
Finance costs		(917)	(132)
Other expenses		(92)	–
Profit/(loss) before tax	7	19,484	(2,249)
Taxation	8	14	(1,418)
Profit/(loss) for the year attributable to owners of the Company		19,498	(3,667)
Other comprehensive income			
Foreign currency translation		1,326	1,383
Total comprehensive income for the year attributable to owners of the Company		20,824	(2,284)
Earnings/(loss) per share (cents)			
Basic and fully diluted	30	2.44	(1.56)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Mine properties	9	436	571	–	–
Land use rights	10	1,751	1,721	–	–
Property, plant and equipment	11	36,183	32,033	–	–
Convertible loan notes	12	23,077	–	–	–
Derivative asset	12	13,326	–	13,326	–
Prepayments	13	5,744	4,267	–	–
Other receivables	14	515	148	–	–
Intangible asset	15	113	162	–	–
Investment in subsidiaries	16	–	–	33,545	33,545
		81,145	38,902	46,871	33,545
Current assets					
Stocks	17	8,842	5,375	–	–
Trade receivables	18	2,498	398	–	–
Prepayments	13	747	808	136	181
Other receivables	14	1,878	9,591	58	*
Amounts due from subsidiaries	19	–	–	16,452	3,239
Cash and bank balances	20	4,838	18,602	2,121	15,966
		18,803	34,774	18,767	19,386
Total assets		99,948	73,676	65,638	52,931
Current liabilities					
Bank overdraft (secured)	20	447	–	447	–
Trade payables	21	4,403	4,409	–	–
Other payables	22	6,321	6,967	170	931
Advances from customers		340	1,075	–	–
Interest-bearing bank loan	23	3,664	5,704	–	–
Provision for taxation		604	–	–	–
		15,779	18,155	617	931
Net current assets		3,024	16,619	18,150	18,455
Non-current liabilities					
Redeemable preference shares	24	8,200	–	–	–
Other payables	22	117	–	–	–
Deferred tax liabilities	25	1,247	1,797	–	–
Deferred income	26	2,438	2,387	–	–
Provision for rehabilitation	27	175	169	–	–
		12,177	4,353	–	–
Total liabilities		27,956	22,508	617	931
Net assets		71,992	51,168	65,021	52,000
Equity attributable to owners of the Company					
Share capital	28	56,541	56,541	56,541	56,541
Reserves	29	15,451	(5,373)	8,480	(4,541)
Total equity		71,992	51,168	65,021	52,000

* denotes amount less than $1,000.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Group	Share capital $'000	Merger reserve $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Safety fund surplus reserve $'000	Total reserves $'000	Total Equity $'000
At 1 January 2014	56,541	850	(8,699)	2,476	–	(5,373)	51,168
Profit for the year, net of tax	–	–	19,498	–	–	19,498	19,498
Other comprehensive income							
Foreign currency translation	–	–	–	1,326	–	1,326	1,326
Total comprehensive income for the year	–	–	19,498	1,326	–	20,824	20,824
Others							
Transfer to safety fund surplus reserve	–	–	(187)	–	187	–	–
Utilisation of safety fund surplus reserve	–	–	187	–	(187)	–	–
At 31 December 2014	56,541	850	10,799	3,802	–	15,451	71,992
At 1 January 2013	32,548	–	(5,032)	1,093	–	(3,939)	28,609
Loss for the year, net of tax	–	–	(3,667)	–	–	(3,667)	(3,667)
Other comprehensive income							
Foreign currency translation	–	–	–	1,383	–	1,383	1,383
Total comprehensive income for the year	–	–	(3,667)	1,383	–	(2,284)	(2,284)
Contributions by and distributions to owners							
Issue of new shares (Note 28)	59,791	–	–	–	–	–	59,791
Share issuance expenses	(1,404)	–	–	–	–	–	(1,404)
Adjustment arising from Restructuring Exercise (Note 2)	(34,394)	850	–	–	–	850	(33,544)
Others							
Transfer to safety fund surplus reserve	–	–	(104)	–	104	–	–
Utilisation of safety fund surplus reserve	–	–	104	–	(104)	–	–
At 31 December 2013	56,541	850	(8,699)	2,476	–	(5,373)	51,168

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

Company	**Share capital $'000**	**Retained earnings $'000**	**Total $'000**
At 1 January 2014	56,541	(4,541)	52,000
Profit for the year, representing total comprehensive income for the year	–	13,021	13,021
At 31 December 2014	56,541	8,480	65,021
At 1 January 2013	*	(1,738)	(1,738)
<u>Contributions by and distributions to owners</u>			
Issue of new shares (Note 28)	57,945	–	57,945
Share issuance expense	(1,404)	–	(1,404)
Loss for the year, representing total comprehensive income for the year	–	(2,803)	(2,803)
At 31 December 2013	56,541	(4,541)	52,000

* denotes amounts less than $1,000.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	2014 $'000	2013 $'000
Cash flow from operating activities		
Profit/(loss) before tax	19,484	(2,249)
Adjustments for:		
Depreciation of property, plant and equipment	1,346	462
Amortisation of mine properties, land use rights and intangible asset	240	182
Interest expense	899	106
Interest income	(1,292)	(16)
Net fair value gains on convertible loan notes, call-and-put option and redeemable preference shares	(20,203)	–
(Gain)/loss on disposal of property, plant and equipment	(105)	1
Gain on relocation	–	(40)
Listing expenses	–	2,478
Unrealised exchange gain	(129)	(734)
Amortisation of deferred income	(40)	–
Property, plant and equipment written off	92	–
Operating profit before working capital changes	292	190
Increase in stocks	(3,114)	(2,203)
Decrease/(increase) in receivables	350	(2,981)
Increase in payables	188	5,351
Cash (used in)/generated from operations	(2,284)	357
Interest received	42	16
Interest paid	(315)	(106)
Net cash flows (used in)/generated from operating activities	(2,557)	267
Cash flow from investing activities		
Purchase of property, plant and equipment (a)	(6,214)	(11,975)
Purchase of convertible loan notes	(15,000)	–
Proceeds from sale of trial products	6,532	–
Payments made in advance of:		
- land use rights	(1,236)	–
- property, plant and equipment	(207)	(2,018)
Proceeds from disposal of property, plant and equipment	205	–
Compensation proceeds from government for relocation of factory	–	40
Payment of long-term deposit	(107)	(104)
Purchase of intangible asset	–	(158)
Net cash flows used in investing activities	(16,027)	(14,215)
Cash flow from financing activities		
Repayment of bank loan	(5,665)	(1,009)
Proceeds from bank loan	3,502	6,559
Proceeds from issue of redeemable preference shares	7,000	–
Increase in pledged deposits	(3)	(1,001)
Proceeds from issue of new shares	–	1,200
Proceeds from initial public offering	–	24,400
Payments incurred in relation to the initial public offering	(629)	(3,565)
Net cash flows generated from financing activities	4,205	26,584

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	2014 $'000	2013 $'000
Net (decrease)/increase in cash and cash equivalents	(14,379)	12,636
Cash and cash equivalents at beginning of the year	17,431	4,613
Effects of exchange rate changes on cash and cash equivalents	159	182
Cash and cash equivalents at end of the year (Note 20)	3,211	17,431

Notes to the consolidated statement of cash flows

(a) Purchase of property, plant and equipment

	2014 $'000	2013 $'000
Current year additions (Note 11)	4,294	3,282
Add/(less):		
Prepayments made in prior years	–	(46)
Decrease in payables related to property, plant and equipment	1,920	4,976
Adjustment due to finalisation of construction	–	(1,638)
Sale of samples produced when testing equipment	–	5,401
Net cash outflow for purchase of property, plant and equipment	6,214	11,975

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1. CORPORATE INFORMATION

AsiaPhos Limited (the "Company") was incorporated in the Republic of Singapore on 3 January 2012 as a private company limited by shares under the name of "AsiaPhos Private Limited". On 6 September 2013, the Company changed its name to "AsiaPhos Limited" in connection with its conversion to a public company limited by shares. The Company was listed on Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 7 October 2013.

The registered office and the principal place of business of the Company are located at 50 Raffles Place, #25-03 Singapore Land Tower, Singapore 048623 and 10 Kallang Avenue Aperia #05-11 Singapore 339510 respectively.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

AsiaPhos Limited and its subsidiaries (collectively, the "Group") operate in Singapore and the People's Republic of China ("PRC").

The ultimate holding company of the Group is Eastcomm Pte Ltd ("Eastcomm"), a company incorporated in Singapore.

2. THE RESTRUCTURING EXERCISE

Prior to the Restructuring Exercise, Eastcomm held two subsidiaries (i.e. Norwest Chemicals Pte Ltd ("Norwest Chemicals") and Sichuan Mianzhu Norwest Phosphate Chemical Company Limited ("Mianzhu Norwest")). A Restructuring Exercise was carried out during the year ended 31 December 2013 which resulted in the Company being the holding company of Norwest Chemicals and Mianzhu Norwest.

The details of the Restructuring Exercise are as follows:

(a) Incorporation of the Company

The Company was incorporated in Singapore on 3 January 2012 in accordance with the Companies Act as a private company limited by shares with an initial paid-up share capital of S$2.00 comprising two (2) Shares held by Eastcomm.

(b) Acquisition of the entire issued and paid-up share capital of Norwest Chemicals

The Company entered into a restructuring agreement (the "Restructuring Agreement") dated 19 June 2013 with Eastcomm to acquire the entire issued and paid-up share capital of Norwest Chemicals for an aggregate purchase consideration of $33,544,782, based on the unaudited net asset value of Norwest Chemicals as at 30 April 2013.

Pursuant to the Restructuring Agreement, the purchase consideration was satisfied by the allotment and issuance of new ordinary shares in the Company (the "Consideration Shares") as follows:

(i) 16,000,000 Consideration Shares were allotted and issued to Eastcomm; and

(ii) the balance of the Consideration Shares (after the Share Split as further described in Note 2(c) below) were allotted and issued as follows:

(a) 474,724,129 Consideration Shares to Eastcomm; and

(b) 163,675,863 Consideration Shares to the Noteholders (as further described in Note 2(d) below).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. THE RESTRUCTURING EXERCISE (CONT'D)

(c) Sub-Division of Shares (the "Share Split")

On 16 September 2013, 16,000,002 shares in the Company were sub-divided into 64,000,008 shares.

(d) Redemption of Notes in Eastcomm held by Noteholders

In 2010, 2012 and 2013, Eastcomm had entered into investment agreements and supplemental letters, (the "Investment Agreements"), with various parties (the "Noteholders").

On 16 September 2013, Eastcomm redeemed the Notes issued by Eastcomm to the Noteholders.

In lieu of payment of cash, Eastcomm directed the Company to allot and issue 163,675,863 Consideration Shares to the Noteholders. These Consideration Shares were issued by the Company as part of the consideration for the Company's acquisition of Norwest Chemicals from Eastcomm.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Singapore Dollar (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

3.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on these financial statements of the Group and the Company.

3.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 16 *Property, Plant and Equipment*	1 July 2014
(e) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
(f) Amendments to FRS 38 *Intangible Assets*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 40 *Investment Property*	1 July 2014
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisition of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Standards issued but not yet effective (cont'd)

Description	*Effective for annual periods beginning on or after*
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendment to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

FRS 115 *Revenue from Contracts with Customers* establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under FRS. The Group expects to adopt FRS 115 on 1 January 2017.

FRS 109 *Financial Instruments* introduces new requirements for classification and measurement, impairment and hedge accounting. The standard will replace FRS 39. The Group expects to adopt FRS 109 on 1 January 2018.

The Group is currently determining the impact of these standards.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Basis of consolidation (cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3.5 Foreign currency

The financial statements are presented in Singapore Dollar which is also the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their statement of comprehensive income are translated at average exchange rates for the year which approximate the exchange rates prevailing at the date of the transactions. The exchange differences arising from the translation are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

3.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, plant and equipment (cont'd)

Mining infrastructure comprises plant and machinery used in mining activities, fixtures and infrastructure within the mines, as well as waste removal costs. Infrastructure includes cabling equipment and tracks, ventilation tunnels, sheds, dormitory, as well as the initial estimate of the rehabilitation obligations upon closure of mines. Waste removal costs are incurred as part of the preparation work to get the mine ready for extraction of minerals. Waste removal costs are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in waste removal costs over the life of the mine.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses. Cost comprises the direct costs of construction, capitalised borrowing costs on related borrowing funds during the period of construction and costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

The depreciation method used shall reflect the pattern in which the asset’s future economic benefits are expected to be consumed. Depreciation of the property, plant and equipment are as follows:

Leasehold buildings	-	20 years
Leasehold improvements and motor vehicles and office equipment	-	3 to 10 years
Mining infrastructure (other than waste removal costs)	-	5 to 20 years

The above are depreciated on straight-line basis over the estimated useful lives.

Plant and machinery and mining infrastructure (waste removal costs) are depreciated using the unit-of-production method to depreciate the cost of the assets in proportion to the production of downstream products and extraction of the mineral resources.

Construction-in-progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

3.7 Exploration and evaluation costs

Exploration and evaluation costs include expenditure incurred for exploration and evaluation activities, secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Exploration and evaluation costs (cont'd)

Exploration and evaluation activities include:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Exploration and evaluation assets include the cost of topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities. Costs that fail to meet the recognition criterion are charged to profit or loss as incurred.

Equipment used in exploration are recognised in property, plant and equipment and are depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter.

When technical feasibility and commercial viability of extracting mineral resources are demonstrable, exploration and evaluation costs capitalised are transferred to either property, plant and equipment or mining properties and depreciated/amortised accordingly. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Exploration and evaluation assets are tested for impairment when reclassified to property, plant and equipment or mining properties, or whenever facts and circumstances indicate impairment. An impairment test is performed if any of the following indicators is present:

(a) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or through sale.

An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

As at 31 December 2013 and 2014, there were no exploration and evaluation assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Mine properties

Mine properties comprise costs incurred for acquiring and renewing mining rights and exploration rights. Mine properties acquired separately are measured initially at cost. The cost of mine properties acquired in a business combination is their fair value as at the date of acquisition. Mine properties are written off to profit or loss if the mine is abandoned.

Mining properties are stated at cost, less accumulated amortisation and accumulated impairment losses. Mining properties are amortised on straight-line basis over the licensed tenure of 6 to 10 years.

3.9 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on straight-line basis over the licensed tenure of 50 years.

3.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation of intangible asset is computed on a straight-line basis over the estimated useful life of 3 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

3.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value though profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which does not takes into account any interest and dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise convertible loan notes as it is managed on a fair value basis and is managed as part of a specific investment strategy.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus and in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Financial liabilities designated at fair value through profit or loss comprise redeemable preference shares as they are managed on a fair value basis and are managed as part of a specific investment strategy.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.14 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits. These also include bank overdrafts that form an integral part of the Group's cash management. Pledged deposits are excluded for the purpose of the statements of cash flow.

3.16 Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing the stocks to their present location and condition are accounted for as follows:

- Raw materials: purchase costs and other directly attributable costs, on a weighted average basis.
- Finished goods: costs include direct materials, direct labour and an appropriate proportionate of variable and fixed overhead costs. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of stocks to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Group records the present value of estimated costs of legal and constructive obligations required to restore mining location in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining location. The Group estimates its liabilities for final rehabilitation and mine closure based on calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure. Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in the profit or loss. The asset is depreciated using the straight-line method over its expected life and the liability is accreted to the projected expenditure date.

Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate. Any reduction in the rehabilitation liability and therefore any deduction from the asset to which it relates, may not exceed the carrying value of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

3.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred income grant on the balance sheet and is amortised to profit or loss over the useful life of the relevant asset.

When the grant relates to income, it is recognised in the profit or loss on a systematic basis over the periods in which the entity recognises the related costs as expenses for which the grant is intended to compensate. Grants related to income are deducted in reporting the related expenses in profit or loss.

3.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore subsidiaries make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

The employees of the subsidiary in People's Republic of China are required to participate in a defined contribution retirement scheme. The subsidiary is required to make contributions to a local social security bureau and housing fund management bureau at a rate of 20% and 5% respectively of the employees' salaries, and charge to the profit or loss as incurred. The Group has no further obligations for payment of pension benefits beyond the annual contributions to the local social security bureau.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of each reporting period.

3.21 Leases

As lessee

Leases where substantially all rewards and risks of ownership remain with the lessor are accounted for as operating lease. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on straight-line basis.

3.22 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

(a) **Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery/collection of the goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) **Interest income**

Interest income is recognised using the effective interest method.

3.23 Taxes

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside the profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheets of the Group and the Company, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair values can be reliably determined.

3.26 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

  (i) Has control or joint control over the Company;

  (ii) Has significant influence over the Company; or

  (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.26 Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, management has to use its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Labour and materials are sourced in the PRC and together with other selling costs, they are denominated and settled in RMB. Management has assessed Mianzhu Norwest's process of determining sales prices and concluded that RMB is the currency that mainly influences sales prices for its products. On this basis, management has used its judgment and determined RMB to be Mianzhu Norwest's functional currency which most faithfully represents the economic effects of the underlying transactions, events and conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1 Judgements made in applying accounting policies (cont'd)

(b) Expiry of exploration right

As at 31 December 2014, the Group is awaiting official approval for the renewal of one of its exploration licenses. The Group had submitted application for renewal of the exploration license in accordance with the applicable rules and regulation and within the stipulated timeline and the application is still pending. As the Group had successfully renewed the licenses previously, at 31 December 2014 and at the date of this report, the Directors are not aware of any reasons that the license will not be renewed. Accordingly, the financial statements were prepared on the basis that the exploration license will be renewed. In the event that the Group is notified that the renewal application is unsuccessful, the carrying cost of the exploration right and certain mining infrastructure within the area covered by the exploration right will have to be written off. At 31 December 2014, the carrying cost of the exploration license and certain mining infrastructure was $1,809,000.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Income taxes

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amounts of the Group's provision for taxation and deferred tax liabilities at 31 December 2014 were $604,000 (2013: nil) and $1,247,000 (2013: $1,797,000) respectively.

(b) Fair value of financial instruments

The Group's convertible loan notes, call-and-put option and redeemable preference shares are designated upon initial recognition at fair value through profit or loss and re-measured to fair value through profit or loss in subsequent reporting periods. The Group engaged an independent professional valuer to assist in determining the fair value of these financial instruments. The fair value of the financial instruments was estimated by an independent professional valuer using the Binomial Model and Discounted Cash Flow method. The estimation included some assumptions not supported by observable market prices or rates such as the discount rate, volatility, credit risk, and expected future cash flows, and hence they are subject to uncertainty. Favourable or unfavourable changes to these assumptions would result in significant changes in the fair value of the convertible loan notes, call-and-put option and redeemable preference shares and the corresponding adjustments to the amount of gain or loss reported in profit or loss. The fair value of the convertible loan notes, derivative asset and redeemable preference shares at 31 December 2014 was $23,077,000 (2013: nil), $13,326,000 (2013: nil) and $8,200,000 (2013: nil) respectively. This had resulted in net fair value gains of $20,203,000 (2013: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.2 Key sources of estimation uncertainty (cont'd)

(c) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment.

This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2014 was $36,183,000 (2013: $32,033,000).

(d) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment as at 31 December 2014 was $36,183,000 (2013: $32,033,00).

(e) Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at 31 December 2014 was $33,545,000 (2013: $33,545,000).

5. REVENUE

Revenue represents invoiced trading sales and is shown net of allowances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

6. OTHER INCOME

	Group	
	2014	2013
	$'000	$'000
Net fair value gains on convertible loan notes, call-and-put option and redeemable preference shares (Note 12 and Note 24)	20,203	–
Interest income	1,292	16
Government grants and subsidy income [(1)]	18	1,740
Sale of scrap	8	2
Gain on relocation [(2)]	–	40
Gain on disposal of property, plant and equipment	105	–
Amortisation of deferred income	40	–
Others	115	85
	21,781	1,883

(1) There are no unfulfilled conditions or contingencies attached to these government grants and subsidies.

(2) On 29 April 2011, a subsidiary entered into an agreement with the Municipal Government of Hanwang Town of Mianzhu, Sichuan, pursuant to which the subsidiary agreed to relocate its factory to Gongxing Town of Mianzhu, Sichuan and surrender the land use rights where the old factory was erected (the "Land Use Rights") to the Municipal Government of Hanwang Town for a total compensation of RMB35,000,000 (approximately $6,800,000). In 2011, after the receipt of RMB17,000,000 (approximately $3,293,000) from the Municipal Government of Hanwang Town, the subsidiary surrendered the Land Use Rights with net book value of $801,000 and incurred incidental costs of $618,000 in relation to the relocation. In 2012, the subsidiary received an additional amount of RMB17,800,000 (approximately $3,519,000) and incurred incidental relocation costs of RMB243,000 (approximately $48,000). In 2013, the subsidiary received the remaining amount of RMB200,000 (approximately $40,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

7. PROFIT/(LOSS) BEFORE TAX

The following items have been (charged)/credited in arriving at profit/(loss) before tax:

	Group	
	2014 **$'000**	**2013** **$'000**
Amortisation of mine properties	(150)	(147)
Amortisation of land use rights	(36)	(35)
Amortisation of intangible asset	(54)	–
Audit fees *		
- Auditors of the Company	(60)	(40)
- Other auditors	(77)	(77)
Depreciation of property, plant and equipment	(1,346)	(462)
Property,plant and equipment written off	(92)	–
Exchange gain*	208	560
Staff costs	(2,206)	(1,429)
Defined contribution plan	(446)	(475)
Directors' fees *		
- Directors of the Company	(353)	(240)
- Directors of subsidiaries	(69)	(60)
Director's remuneration *		
- Directors of the Company	(317)	(303)
- Directors of subsidiaries	(241)	(200)
Listing expenses *	–	(2,478)
Gain/(loss) on disposal of property, plant and equipment	105	(1)
Consultancy fees *	–	(184)
Allowance for doubtful debts written-back *	(1)	–
Finance costs		
- Interest on bank loan and bank overdraft	(315)	(106)
- Interest on redeemable preference shares	(584)	–

* Included in "General and administrative costs" in the consolidated statement of comprehensive income.

8. TAXATION

The major components of income tax expense for the financial years ended are:

	Group	
	2014 **$'000**	**2013** **$'000**
Current taxation	577	–
Deferred taxation (Note 25)		
- origination and reversal of temporary differences	(169)	1,200
- (over)/underprovision in respect of previous years	(422)	218
	(591)	1,418
	(14)	1,418

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8. TAXATION (CONT'D)

A reconciliation between the corporate tax rate of the Company to the average effective tax rate of the Group for the years ended 31 December 2013 and 2014 is as follows:

	Group	
	2014	**2013**
	%	%
Domestic statutory tax/(benefit) rates	17.00	(17.00)
Adjustments on tax effect of:		
Non-deductible expenses	1.51	24.46
Income not subject to taxation	(17.81)	(4.67)
Deferred tax assets not recognised	1.41	42.18
(Over)/under provision of deferred tax in respect of previous years	(2.17)	9.69
Expiry of tax losses from previous years	–	2.52
Differences in tax rates	0.52	5.88
Others	(0.53)	–
Effective tax rate	(0.07)	63.06

Pursuant to the relevant tax rules and regulations of the PRC applicable to foreign investment enterprise (“FIE”), a FIE is entitled to a tax holiday whereby it is exempted from PRC income tax for its first two profit making years (after deducting losses incurred in prior years) and is entitled to a 50% tax reduction for the subsequent three years.

On 16 March 2007, the National People’s Congress approved the PRC Corporate Income Tax (“CIT”) Law (the “New CIT Law”), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. In accordance with the New CIT Law, where enterprises were entitled to preferential treatments in the form of tax holiday, they can continue to enjoy the tax holiday until the tax holiday benefits expire, but where they have yet to start enjoying the tax holiday due to accumulated losses, the period of tax holiday shall be deemed to have begun effective from 1 January 2008. Accordingly, the PRC subsidiary was entitled to exemption from PRC CIT in 2008 and 2009 and was entitled to a 50% tax reduction for the subsequent three years (2010 to 2012). With effect from 2013, it is subject to CIT rate of 25%.

A loss-transfer system of group relief ("Group Relief System") for companies was introduced in Singapore with effect from year of assessment 2003. Under the Group Relief System, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

During the financial year ended 31 December 2014, the Group utilised current year tax losses of $496,000 (2013: nil) to set off assessable income of certain companies within the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

9. MINE PROPERTIES

	Group $'000
Cost	
At 1 January 2013	2,308
Currency realignment	162
At 31 December 2013 and 1 January 2014	2,470
Currency realignment	96
At 31 December 2014	2,566
Accumulated amortisation	
At 1 January 2013	1,633
Currency realignment	119
Charge for the year	147
At 31 December 2013 and 1 January 2014	1,899
Currency realignment	81
Charge for the year	150
At 31 December 2014	2,130
Net carrying amount	
At 31 December 2014	436
At 31 December 2013	571
Remaining useful lives	
At 31 December 2014	2 to 6 years
At 31 December 2013	3 to 7 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

10. LAND USE RIGHTS

	Group	
	2014 $'000	2013 $'000
Cost		
At beginning of the year	1,793	1,675
Currency realignment	70	118
At the end of the year	1,863	1,793
Accumulated amortisation		
At beginning of the year	72	33
Currency realignment	4	4
Amortisation for the year	36	35
At the end of the year	112	72
Net carrying amount	1,751	1,721
Amount to be amortised:		
– Not later than one year	36	35
– Later than one year but not more than five years	144	140
– Later than five years	1,571	1,546
	1,751	1,721
Remaining useful lives	47	48

Land use rights represent cost of land use rights in respect of a leasehold land located in Sichuan, PRC.

The PRC subsidiary obtained land use rights in Gongxing Town, Mianzhu City, Sichuan, PRC, with licensed tenure of approximately 50 years when obtained in December 2011.

Amortisation of land use rights are recognised in the "General and administrative costs" in the Consolidated Statement of Comprehensive Income.

Assets pledged as security

At 31 December 2014 and 2013, the land use rights are pledged to secure the interest-bearing bank loan (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Motor vehicles and office equipment $'000	Mining infrastructure $'000	Construction-in-progress $'000	Total $'000
Cost							
At 1 January 2013	1,425	129	6,475	913	535	24,065	33,542
Currency realignment	101	9	618	63	77	1,697	2,565
Additions	–	–	268	6	628	2,380	3,282
Transfers	25	–	409	–	787	(1,221)	–
Disposals	–	–	–	(6)	–	–	(6)
Adjustment due to finalisation of construction	–	–	–	–	–	(1,638)	(1,638)
At 31 December 2013 and 1 January 2014	1,551	138	7,770	976	2,027	25,283	37,745
Currency realignment	435	5	1,157	26	188	(65)	1,746
Additions	53	198	525	136	2,009	1,373	4,294
Transfers	8,059	–	16,231	–	353	(24,643)	–
Disposals	–	–	–	(364)	–	–	(364)
Written off	–	–	–	–	–	(92)	(92)
At 31 December 2014	10,098	341	25,683	774	4,577	1,856	43,329
Accumulated depreciation and impairment							
At 1 January 2013	138	129	3,855	574	68	–	4,764
Currency realignment	12	9	419	43	8	–	491
Charge for the year	85	–	137	110	130	–	462
Disposals	–	–	–	(5)	–	–	(5)
At 31 December 2013 and 1 January 2014	235	138	4,411	722	206	–	5,712
Currency realignment	23	5	272	21	31	–	352
Charge for the year	309	13	458	118	448	–	1,346
Disposals	–	–	–	(264)	–	–	(264)
At 31 December 2014	567	156	5,141	597	685	–	7,146
Net carrying amount							
At 31 December 2014	9,531	185	20,542	177	3,892	1,856	36,183
At 31 December 2013	1,316	–	3,359	254	1,821	25,283	32,033

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

At 31 December 2014, plant and equipment of the Group with a carrying amount of $22,080,000 (2013: $25,470,000) are pledged to secure the interest-bearing bank loan (Note 23).

12. CONVERTIBLE LOAN NOTES AND DERIVATIVE ASSET

On 30 April 2014, a subsidiary of the Group subscribed for convertible loan notes (the "CLN") of $15,000,000 issued by a Singapore incorporated company, LY Resources Pte Ltd ("LYR"). The maturity date of the CLN is 30 October 2016. At the same time, the Company entered into a conditional put and call option agreement with an individual (the "Vendor"), pursuant to which (i) the Company has been granted a call option to require to sell and procure the sale of, all the shares of LYR ("Call Option"), and (ii) the Vendor has been granted a put option to require the Company to purchase all (but not some only) of the LYR shares ("Put Option") (the Call Option and the Put Option collectively, the "Options").The vendor holds 50% equity interest in Dashan, a co-operative partner of the Group's mining operations and 100% equity interest in LYR.

The Group designated the CLN and Options as financial assets at fair value through profit or loss.

Subject to certain conditions being met, the subsidiary has the right to convert all of its outstanding CLN into shares of LYR at any time up to and including the maturity date. The CLN, entitles the Group to 35% discount to the independent valuation of LYR, and bears interest at

- Cash interest of 10% per annum, receivable annually; and
- Deferred interest of 2.5% per annum, receivable when the CLN are converted or redeemed.

The aggregate consideration payable shall be satisfied and paid by the Group by issuance of ordinary shares of the Company (the "Consideration Shares"). The issue price of the Consideration Shares shall be determined based on the weighted average price ("WAP") of the Company's shares for the 30 business days prior to the exercise of the Option, provided always that

(i) the issue price of each Consideration Share shall be between $0.25 and $0.30 both amounts inclusive; and

(ii) if the WAP is less than $0.25, the issue price of each Consideration Share shall be $0.25, and if the WAP is greater than $0.30, the issue price of each Consideration Share shall be $0.30.

At 31 December 2014, the Group engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent valuer, to determine the fair values of the CLN and Options. The Group uses the valuation technique of the Binomial Model to determine the fair value of the CLN and Options.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. CONVERTIBLE LOAN NOTES AND DERIVATIVE ASSET (CONT'D)

The movements in the fair value of the CLN and derivative asset during the years ended 31 December are as follows:

	Group			
	CLN		Options	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cost of financial asset acquired	15,000	–	–	–
Fair value gain on financial asset at fair value through profit or loss recognised during the year	8,077	–	13,326	–
Carrying amount at end of the year	23,077	–	13,326	–

At the Company level, the fair value gain recognised during the year on the Options at was $13,326,000 (2013: nil).

The fair value of the Options was estimated by Jones Lang LaSalle by using the Binomial Model. The following table lists the key inputs to the model used:

	Group	
	2014	2013
Risk-free interest rate (% per annum)	0.6%	–
Equity return volatility (% per annum)	40.0%	–
Dividend yield (% per annum)	0.0%	–

In addition to the above, the fair value of the CLN takes into consideration of the spot price of $23 million with reference to the fair value of the equity interest of LYR as at valuation date. For derivative asset, the fair value of the Option takes into consideration of the spot price of $0.127 with reference to the trading price of the Company as at valuation date.

13. PREPAYMENTS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current				
Payments made in respect of				
Land use rights	3,572	2,193	–	–
Property, plant and equipment	2,172	2,074	–	–
	5,744	4,267	–	–
Current				
Advances to suppliers	410	539	–	–
Miscellaneous	337	269	136	181
	747	808	136	181

Prepayments for land use rights as at 31 December 2013 and 2014 relate to 2 leasehold lands respectively in Mianzhu, Sichuan, PRC.

Property, plant and equipment that have been prepaid will be received in the following financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. OTHER RECEIVABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current				
Long-term deposits	265	148	–	–
Deferred interest receivable	250	–	–	–
	515	148	–	–
Current				
Other receivables	846	7,883	58	*
Cash interest receivable	1,000	–	–	–
Environmental grant receivable	–	1,659	–	–
Refundable deposits	32	49	–	–
	1,878	9,591	58	*

* denotes amount less than $1,000.

Long-term deposits represent payments made to local PRC authorities in respect of i) the Group's rehabilitation obligations upon mine closure; and ii) the Group's obligations for future payments of mining levy during the term of mining operations. These deposits are not expected to be refunded within the next 12 months.

Deferred and cash interest receivables represent interest income in connection with convertible loan notes (Note 12).

At 31 December 2013, included in other receivables was an amount of $6.6 million being the estimated net proceeds of elemental phosphorus ("P_4") produced during the testing period of the P_4 plant. The Group recognised the estimated net proceeds from sale of the testing batches of P_4 produced during the trial production period in other receivables and against the cost incurred for the trial production recognised in the cost of construction of the P_4 plant. These were completely sold during the year ended 31 December 2014.

Other receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Euro	51	–	51	–

Other receivables that were impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Other receivables – nominal amounts	42	41	–	–
Less: Allowance for doubtful receivables	(42)	(41)	–	–
	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. OTHER RECEIVABLES (CONT'D)

Movements in allowance for doubtful receivables:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at beginning of the year	41	38	–	–
Currency realignment	1	3	–	–
Balance at end of the year	42	41	–	–

Other receivables are unsecured, interest-free and repayable on demand.

15. INTANGIBLE ASSET

	Group $'000
Cost	
At 1 January 2013	–
Additions	158
Currency realignment	4
At 31 December 2013 and 1 January 2014	162
Currency realignment	7
At 31 December 2014	169
Accumulated amortisation	
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Currency realignment	2
Charge for the year	54
At 31 December 2014	56
Net carrying amount	
At 31 December 2014	113
At 31 December 2013	162
Remaining useful lives	
At 31 December 2014	2 years
At 31 December 2013	3 years

Intangible asset represents the registration costs of a license to export to countries in the European Union.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 $'000	2013 $'000
Unquoted shares, at cost:		
Balance at the beginning of the year	33,545	–
Additions during the year	*	33,545
Balance at the end of the year	33,545	33,545

* denotes amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

During the year ended 31 December 2014, the Company incorporated a subsidiary, AsiaPhos Resources Pte. Ltd.. Cost of investment in the subsidiary is $2.

During the year ended 31 December 2013, pursuant to the Restructuring Exercise (Note 2), the Company acquired the entire issued and paid-up share capital of Norwest Chemicals for an aggregate purchase consideration of $33,544,782. The purchase consideration was satisfied by the allotment and issuance of 654,399,992 new ordinary shares in the Company (Note 28).

Name of company (Country of registration)	Principal activity (Place of business)	Percentage of equity held by the Company	
		2014	2013
		%	%
Norwest Chemicals Pte Ltd # (Republic of Singapore)	Investing in chemical projects general wholesale trade and trading of chemicals (Republic of Singapore)	100	100
AsiaPhos Resources Pte. Ltd. # (Republic of Singapore)	Investment holding (Republic of Singapore)	100	–
Held through Norwest Chemicals			
Sichuan Mianzhu Norwest Phosphate Chemical Company Limited * (People's Republic of China)	Exploration, mining and sale of phosphate rocks, the production and sale of phosphorus and phosphate based chemical products (People's Republic of China)	100	100

Audited by Ernst & Young LLP, Singapore
* Audited by Ernst & Young Hua Ming LLP, Chengdu Branch

17. STOCKS

	Group	
	2014 $'000	2013 $'000
Balance sheet		
Packaging and raw materials, at cost	3,143	4,045
Finished goods	5,699	1,330
	8,842	5,375

There is no movement and balance for allowance for stocks obsolescence during the year ended 31 December 2013 and 2014.

	Group	
	2014 $'000	2013 $'000
Profit or loss		
Stocks recognised as an expense in cost of sales	19,138	5,908

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. TRADE RECEIVABLES

	Group	
	2014	**2013**
	$'000	**$'000**
Trade receivables	428	336
Note receivables	2,070	62
	2,498	398

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
United States Dollar	76	241

As at 31 December 2014, note receivables accepted by banks in the PRC with carrying amount of $808,000 (approximately RMB3,750,000) (2013: $262,000 (approximately RMB1,264,000)) ("Derecognised Notes") were endorsed with recourse in order to settle the trade payables to certain suppliers. The Derecognised Notes have a maturity of one to five (2013: three to four) months at the end of the reporting period. In the opinion of the directors of the Group, the Group transferred all risks and rewards relating to the Derecognised Notes. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in these Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes equals to their carrying amounts. In the opinion of the directors of the Group, the fair values of the Group's continuing involvement in the Derecognised Notes are not significant.

During the year ended 31 December 2014, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes (2013: Nil). No gains or losses were recognised from continuing involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

Receivables that are past due but not impaired

The aging analysis of trade receivables that were past due at the balance sheet date but not impaired is as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Less than one month past due	78	27
More than one month but less than three months past due	46	12
Over three months past due	–	4

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired

Trade receivables that were impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group	
	2014 $'000	2013 $'000
Trade receivables – nominal amounts	54	53
Less: Allowance for doubtful receivables	(54)	(53)
	–	–

Movements in allowance for doubtful receivables:

	Group	
	2014 $'000	2013 $'000
Balance at beginning of the year	53	50
Currency realignment	2	3
Allowance for doubtful debts written back	(1)	–
Balance at end of the year	54	53

Trade receivables that were individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2014 $'000	2013 $'000
Amounts due from subsidiaries		
- Advances	15,724	3,239
- Non-trade	84	*
- Interest receivable	644	–
	16,452	3,239

*denotes amount less than $1,000.

Amounts due from subsidiaries are unsecured, repayable on demand and are to be settled in cash. Non-trade amounts due from subsidiaries are interest free. Interest is charged on advances at 5% per annum (2013: nil) during the year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. CASH AND BANK BALANCES

Cash and cash equivalents included in the consolidated statements of cash flow comprise:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash and bank balances	4,838	18,602	2,121	15,966
Bank overdraft (secured)	(447)	–	(447)	–
Less: Pledged deposits	(1,180)	(1,171)	(1,000)	(1,000)
Cash and cash equivalents	3,211	17,431	674	14,966

Cash at bank earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one and three months depending on the immediate cash requirements of the Group and earn interest at the annual interest rate of 0.44% (2013: 0.11%).

As at 31 December 2014, pledged deposits include amounts pledged for bank overdraft facility and mining activities of $1,003,000 (2013: $1,000,000) and $177,000 (2013: $171,000) respectively.

As at 31 December 2014, the PRC subsidiary has no cash and bank balances which are denominated in SGD (2013: $1,621,000).

Cash and bank balances denominated in currencies other than the functional currencies of the respective entities of the Group at 31 December are as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollar	101	74	61	24
Euro	17	33	17	33
Renminbi	–	5,058	–	5,058

21. TRADE PAYABLES

Trade payables are normally settled on 30 days terms, unsecured, non-interest bearing and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. OTHER PAYABLES

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current				
Preference deferred dividends	117	–	–	–
Current				
Payables related to:				
Taxes other than income tax	1,774	653	–	–
Payroll and welfare payable	468	272	–	–
Property, plant and equipment	1,502	3,377	–	–
Other payables	1,074	1,506	170	635
Preference cash dividends	467	–	–	–
Deposits received	636	392	–	–
Accrued liabilities	400	767	–	296
	6,321	6,967	170	931

Other payables are unsecured, non-interest bearing and are repayable on demand.

Preference deferred and cash dividend payable represent dividend expense in connection with redeemable preference shares (Note 24).

23. INTEREST-BEARING BANK LOAN

	Group 2014 $'000	Group 2013 $'000
Short term bank loan	3,664	5,704

Short term bank loan is denominated in Renminbi, bears interest at 5.8% (2013: 6.3%) per annum, and repayable in 2015 (2013: 2014).

The short-term bank loan is secured by land use rights (Note 10) and certain property, plant and equipment (Note 11).

24. REDEEMABLE PREFERENCE SHARES

On 15 November 2014, pursuant to the subscription of CLN (Note 12), a subsidiary of the Group issued 7,000,000 Redeemable Preference Shares (the "RPS"), at the issue price of $1 each. The maturity date of the RPS is 15 November 2016. The RPS rank *pari passu* and rateably without any preference amongst themselves. The RPS have no voting rights, accordingly, the Group designated the RPS as financial liabilities at fair value through profit or loss upon initial recognition.

The RPS bear interest at

- Preference Cash Dividends of 10% per annum, payable annually; and
- Preference Deferred Dividends of 2.5% per annum, payable when the RPS are converted or redeemed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24. REDEEMABLE PREFERENCE SHARES (CONT'D)

The terms of the RPS allow the RPS holder a choice of cash redemption and non-cash redemption. Cash redemption (at or before maturity) entails the Group to redeem 115% of the principal amount, together with Preference Cash Dividends and Preference Deferred Dividends for the period up to (but excluding) the redemption date.

Non-cash redemption entails conversion of the RPS into new LYR shares (issued to such RPS holders at the direction of the Group upon conversion of the CLN). RPS holders who have elected non-cash redemption will thereby become shareholders of LYR ("LYR Investors").

To facilitate the transfer and sale of the shares of LYR held by LYR Investors (if any) to the Company, the Vendor and the RPS holders have, at the request of the Company, executed a deed dated 30 April 2014 (the "Drag-Along Deed") which gives the Vendor drag-along rights, exercisable at any time following the exercise of the Option, to require RPS holders (if any) to sell and transfer their LYR shares to the Company on the terms set out in the Option agreement. Such LYR Investors (if any) will therefore receive shares of the Company as consideration for their respective LYR shares.

Under the Options agreement, the Company is entitled to direct the Vendor to exercise the aforesaid drag-along rights under the Drag-Along Deed. The due execution of the Drag-Along Deed is a condition precedent under the CLN agreement.

At 31 December 2014, the Group engaged Jones Lang LaSalle to determine the fair value of the RPS. The Group uses the valuation technique of the Discounted Cash Flow Method to determine the fair value of the RPS. The following table lists the key inputs to the model used:

	Group	
	2014	**2013**
Risk-free interest rate (% per annum)	0.6%	–
Discount rate (% per annum)	10.0%	–

The movements in the fair value of the RPS during the years ended 31 December are as follows:

	Group	
	2014 **$'000**	**2013** **$'000**
Cost of financial liability acquired	7,000	–
Fair value loss on financial liability at fair value through profit or loss recognised during the year	1,200	–
Carrying amount at end of the year	8,200	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

25. DEFERRED TAX LIABILITIES

The following are the deferred tax (assets)/liabilities recognised and movements thereon during the years ended 31 December:

Group	Unutilised tax losses $'000	Deferred income $'000	Environ-mental grant $'000	Unremitted foreign income $'000	Difference in depreciation for tax purpose $'000	Total $'000
At 1 January 2013	(1,408)	–	–	42	1,686	320
(Credit)/charge to profit or loss during the year (Note 8)	1,005	–	403	–	10	1,418
Currency realignment	(71)	–	11	–	119	59
At 31 December 2013 and 1 January 2014	(474)	–	414	42	1,815	1,797
(Credit)/charge to profit or loss during the year (Note 8)	471	(583)	(412)	–	(67)	(591)
Currency realignment	3	(27)	(2)	–	67	41
At 31 December 2014	–	(610)	–	42	1,815	1,247

As at 31 December 2014, the Group had tax losses and deductible temporary differences totaling approximately $2,344,000 (2013: $4,094,000) to offset against future taxable profits of the companies in which the losses and temporary differences arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

26. DEFERRED INCOME

	Group 2014 $'000	Group 2013 $'000
Balance at beginning of the year	2,387	2,231
Currency realignment	91	156
Recognised in profit or loss during the year	(40)	–
Balance at end of the year	2,438	2,387

Deferred income received during the financial year ended 31 December 2010, represented government grants received for the construction of certain plant and equipment. Deferred income is recognised in profit or loss over the expected useful life of the relevant plant and equipment when the construction of the relevant plant and equipment is complete and capable of operating in the manner intended by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

27. PROVISION FOR REHABILITATION

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of the year	169	158
Currency realignment	6	11
Balance at end of the year	175	169

The Group makes provision for the future cost of rehabilitating mine sites on a discounted basis at rates ranging from 3.36% to 3.64% (2013: 3.36% to 3.64%) as at 31 December 2014. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required and will depend on market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon the price of phosphate, which is inherently uncertain.

28. SHARE CAPITAL

	Group		Company	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Issued and paid-up				
At 1 January 2013	32,548	32,548	*	*
Issue of new shares (1)	1,846	1,846	–	–
Issue of shares pursuant to Restructuring Exercise (2)	702,400	33,545	702,400	33,545
Adjustment arising from Restructuring Exercise	(34,394)	(34,394)	–	–
Issue of new shares (3)	97,600	24,400	97,600	24,400
Share issuance expenses	–	(1,404)	–	(1,404)
At 31 December 2013, 1 January 2014 and 31 December 2014	800,000	56,541	800,000	56,541

* denotes amount less than $1,000.

(1) On 21 January 2013, Norwest Chemicals issued 1,846,400 new shares to Eastcomm via capitalisation of debt of $646,400 and cash consideration of $1,200,000.

(2) Pursuant to the Restructuring Exercise (Note 2), on 12 August 2013, 16,000,000 new shares were allotted and issued to Eastcomm as partial consideration for the acquisition of Norwest Chemicals. On 16 September 2013, the 16,000,002 shares in the Company were sub-divided into 64,000,008 shares and an additional 638,399,992 new shares were allotted and issued to Eastcomm and the noteholders as final consideration for the acquisition of Norwest Chemicals.

(3) On 7 October 2013, the Company issued 97,600,000 new shares pursuant to the initial public offering of the Company's shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. RESERVES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Retained earnings/(accumulated losses)	10,799	(8,699)	8,480	(4,541)
Foreign currency translation reserve	3,802	2,476	–	–
Merger reserve	850	850	–	–
Safety fund surplus reserve	–	–	–	–
	15,451	(5,373)	8,480	(4,541)

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group's presentation currency.

Merger reserve arose from the Restructuring Exercise involving entities under common control and represented the difference between the consideration paid and the equity "acquired" under the pooling of interest method. All assets and liabilities acquired by the Group were recorded at their carrying values at the date of acquisition.

In accordance with the Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the PRC subsidiary is required to make appropriation to a Safety Fund Surplus Reserve based on the volume of mineral ore extracted. The reserve can only be transferred to retained earnings to offset safety related expenses as and when incurred, including expenses related to safety production facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

30. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share is calculated by dividing the Group's profit/(loss) for the year attributable to owners of the Company by the weighted average number of shares of 800,000,000 (2013: 235,042,000) ordinary shares.

The diluted earnings/(loss) per share is calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

For 31 December 2013, the basic and fully diluted earnings per share were the same as there were no potential dilutive instruments.

For 31 December 2014, the basic and fully diluted earnings per share were the same as (i) the conditions for the Options were not met at the balance sheet date; and (ii) the RPS were anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

(i) The upstream segment is in the business of exploration, mining and sale of phosphate rocks.

(ii) The downstream segment is in the business of manufacturing, sale and trading of phosphate-based chemical products.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Operating Decision Maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments. The Chief Operating Decision Maker does not monitor assets and liabilities by segments. The assets and liabilities are managed on a group basis. However, the information on additions to mine properties, land use rights, property, plant and equipment, long-term deposits, convertible loan notes, derivative asset and intangible asset by operating segments is regularly provided to the Chief Operating Decision Maker.

For the year ended 31 December	Upstream 2014 $'000	Upstream 2013 $'000	Downstream 2014 $'000	Downstream 2013 $'000	Adjustments and eliminations 2014 $'000	Adjustments and eliminations 2013 $'000	Note	Per consolidated financial statements 2014 $'000	Per consolidated financial statements 2013 $'000
Profit or loss									
Revenue – external	12,731	6,535	11,091	1,923	–	–	A	23,822	8,458
Gain/(loss) on disposal of property, plant and equipment	–	–	–	–	105	(1)	B	105	(1)
Amortisation expenses	(152)	(147)	(88)	(35)	–	–		(240)	(182)
Depreciation of property, plant and equipment	(655)	(286)	(672)	(158)	(19)	(18)	B	(1,346)	(462)
Interest income	–	–	–	–	1,292	–		1,292	–
Net fair value gains on CLN, Options and RPS	–	–	–	–	20,203	–	B	20,203	–
Gain on relocation	–	–	–	–	–	40	B	–	40
Listing expenses	–	–	–	–	–	(2,478)	B	–	(2,478)
Segment profit/(loss) before tax	2,582	694	(1,114)	(470)	18,016	(2,473)	C	19,484	(2,249)
Assets									
Additions to non-current assets	39,478	1,633	822	1,955	411	6	D	40,711	3,594

Note Additional information and nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A There were no inter-segment revenue.

B Adjustments relate to unallocated corporate income and expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. SEGMENT INFORMATION (CONT'D)

C The following items are added to segment profit/(loss) to arrive at "profit/(loss) before tax" presented in the consolidated statements of comprehensive income:

	Group 2014 $'000	Group 2013 $'000
Gain of relocation	–	40
Gain/(loss) on disposal of property, plant and equipment	105	(1)
Government grant and subsidy income	18	1,740
Interest income	1,292	16
Net fair value gains on CLN, Options and RPS (Note 12 and Note 24)	20,203	–
Exchange gain	208	560
Interest expense	(899)	(132)
Listing expenses	–	(2,478)
Other corporate expenses	(2,911)	(2,218)
	18,016	(2,473)

D Additions to non-current assets comprise additions to property, plant and equipment, long-term deposits, convertible loan notes, derivative asset and intangible asset.

Geographical information

Revenue information based on the geographical location of customers is as follows:

	Group 2014 $'000	2014 %	Group 2013 $'000	2013 %
People's Republic of China	22,779	96	7,467	88
New Zealand	376	2	342	4
Others	667	2	649	8
Total	23,822	100	8,458	100

Non-current assets information based on the geographical location of assets is as follows:

	Group 2014 $'000	Group 2013 $'000
People's Republic of China	42,139	38,891
Singapore	39,006	11
	81,145	38,902

Non-current assets information presented above consist of property, plant and equipment, mine properties, land use rights, convertible loan notes, derivative asset, prepayments, other receivables and intangible asset as presented in the consolidated balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. SEGMENT INFORMATION (CONT'D)

Information about major customers

A major customer who contributed revenue to the upstream segment made up 47% (2013: 54%) of the Group's total revenue. No other customer exceeds 10% of the Group's total revenue.

Information about products

Revenue information based on products is as follows:

	Group	
	2014 $'000	2013 $'000
Phosphate Rocks	12,731	6,535
P_4 and P_4 by-products	9,277	238
Sodium Tripolyphosphate	1,480	1,419
Sodium Hexametaphosphate	297	266
Others	37	–
	23,822	8,458

Others represents trading revenue from other phosphate chemicals, including monocalcium phosphate and sodium trimetaphosphate.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Group	
	2014 $'000	2013 $'000
Short-term employee benefits	1,033	803

All amounts are paid and payable to directors and key executive of the Company and its subsidiaries.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group's overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management in accordance with the prevailing economic and operating conditions. The Board of Directors reviews and agrees policies for managing these risks.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and cash and bank balances.

The Group's objective is to seek continued revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties.

Customers of the Group's phosphate rocks are usually required to make full payment before they can take delivery of phosphate rocks. The Group generally requires customers of the downstream phosphate-based chemical products to make payment within 30 to 60 days from the delivery of the products, except new customers where payment in advance is normally required.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

Exposure to credit risk

The Group's exposure to credit risk is monitored on an ongoing basis. The carrying amounts of loans and receivables and financial assets disclosed in Note 34 represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group does not require collateral in respect of financial assets. In respect of the deferred interest receivable and cash interest receivable (Note 14), the Group is entitled to withhold up to $1,500,000 of the amounts payable under the co-operation arrangement with Dashan for the year up to the interest payment date so long as the CLN are outstanding, and may apply such retained amounts against any indebtedness for interest due but unpaid by LYR. At 31 December 2014, the amount payable under the co-operation arrangement was $1,700,000 (2013:$345,000).

Credit risk concentration profile

Concentrations of credit risk are managed by customer. The Group has certain concentrations of credit risk as 92% and 82% of the Group's trade receivables were due from 5 of the Group's customers at 31 December 2013 and 2014 respectively.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances are placed with reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade receivables) and Note 14 (Other receivables).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments.

Group	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
31 December 2014				
Financial assets				
Convertible loan notes	1,875	16,563	–	18,438
Derivative asset	–	13,326	–	13,326
Trade receivables	2,498	–	–	2,498
Other receivables	1,878	250	265	2,393
Cash and bank balances	4,838	–	–	4,838
Total undiscounted financial assets	11,089	30,139	265	41,493
Financial liabilities				
Bank overdraft (secured)	(447)	–	–	(447)
Trade payables	(4,403)	–	–	(4,403)
Other payables	(5,853)	(117)	–	(5,970)
Interest-bearing bank loan	(3,879)	–	–	(3,879)
Redeemable preference shares	(875)	(8,779)	–	(9,654)
Total undiscounted financial liabilities	(15,457)	(8,896)	–	(24,353)
Total net undiscounted financial (liabilities)/assets	(4,368)	21,243	265	17,140
31 December 2013				
Financial assets				
Trade receivables	398	–	–	398
Other receivables	9,591	–	148	9,739
Cash and bank balances	18,602	–	–	18,602
Total undiscounted financial assets	28,591	–	148	28,739
Financial liabilities				
Trade payables	(4,409)	–	–	(4,409)
Other payables	(6,695)	–	–	(6,695)
Interest-bearing bank loan	(6,003)	–	–	(6,003)
Total undiscounted financial liabilities	(17,107)	–	–	(17,107)
Total net undiscounted financial assets	11,484	–	148	11,632

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Company	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
31 December 2014				
Financial assets				
Derivative asset	–	13,326	–	13,326
Other receivables	58	–	–	58
Amounts due from subsidiaries	16,452	–	–	16,452
Cash and bank balances	2,121	–	–	2,121
Total undiscounted financial assets	18,631	13,326	–	31,957
Financial liabilities				
Bank overdraft (secured)	(447)	–	–	(447)
Other payables	(170)	–	–	(170)
Total undiscounted financial liabilities	(617)	–	–	(617)
Total net undiscounted financial assets	18,014	13,326	–	31,340
31 December 2013				
Financial assets				
Other receivables	*	–	–	*
Amounts due from subsidiaries	3,239	–	–	3,239
Cash and bank balances	15,966	–	–	15,966
Total undiscounted financial assets	19,205	–	–	19,205
Financial liabilities				
Other payables	(931)	–	–	(931)
Total undiscounted financial liabilities	(931)	–	–	(931)
Total net undiscounted financial assets	18,274	–	–	18,274

* denotes amounts less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk

The Group has transactional currency exposures (primarily USD) arising from sales or purchases. For the financial year ended 31 December 2014, approximately 4% (2013: 12%) of the Group's sales were denominated in USD whilst almost 100% of operating costs were denominated in the respective functional currencies of the Group's entities (namely SGD and RMB). The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the risk is monitored on an ongoing basis.

The Group does not have any significant exposure to the risk of fluctuation in the exchange rate between RMB against USD or SGD against USD, as a possible change of 5% in RMB against USD or RMB against SGD would have no significant financial impact on the Group's financial performance.

The Group's exposure to the risk of changes in foreign exchange rates mainly arises from RMB denominated balances held by Singapore entities within the Group and SGD denominated balances held by the PRC subsidiary. At 31 December 2014, if RMB strengthened/weakened against Singapore Dollar by 5% (2013: 5%), the Group's net profit before tax would have increased/decreased by $209,000 (2013: decreased/increased by $969,000). The Group's sensitivity to RMB/SGD exchange rate has decreased during the current year due to the decrease in SGD denominated monetary liabilities held by the PRC subsidiary at the current year end as compared with the preceding year end.

The Group is also exposed to currency translation risk arising from its net investment in PRC operations. 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 profits unless the underlying assets or liabilities of the PRC subsidiary are disposed.

The RMB is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have an adverse effect on the Group's net assets, earnings and any dividend if such dividend is to be exchanged or converted into foreign currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of carrying amounts of all of the Group's financial instruments that are carried in the financial statements:

Classification of financial instruments

Group	Fair value through profit or loss $'000	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
31 December 2014					
Assets					
Mine properties	–	–	–	436	436
Land use rights	–	–	–	1,751	1,751
Property, plant and equipment	–	–	–	36,183	36,183
Convertible loan notes	23,077	–	–	–	23,077
Derivative asset	13,326	–	–	–	13,326
Intangible asset	–	–	–	113	113
Stocks	–	–	–	8,842	8,842
Trade receivables	–	2,498	–	–	2,498
Other receivables	–	2,128	–	265	2,393
Prepayments	–	–	–	6,491	6,491
Cash and bank balances	–	4,838	–	–	4,838
	36,403	9,464	–	54,081	99,948
Liabilities					
Bank overdraft (secured)	–	–	447	–	447
Trade payables	–	–	4,403	–	4,403
Other payables	–	–	5,970	468	6,438
Advances from customers	–	–	–	340	340
Interest-bearing bank loan	–	–	3,664	–	3,664
Provision for taxation	–	–	–	604	604
Redeemable preference shares	8,200	–	–	–	8,200
Deferred tax liabilities	–	–	–	1,247	1,247
Deferred income	–	–	–	2,438	2,438
Provision for rehabilitation	–	–	–	175	175
	8,200	–	14,484	5,272	27,956

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

Classification of financial instruments (cont'd)

Group	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
31 December 2013				
Assets				
Mine properties	–	–	571	571
Land use rights	–	–	1,721	1,721
Property, plant and equipment	–	–	32,033	32,033
Intangible asset	–	–	162	162
Stocks	–	–	5,375	5,375
Trade receivables	398	–	–	398
Other receivables	9,739	–	–	9,739
Prepayments	–	–	5,075	5,075
Cash and bank balances	18,602	–	–	18,602
	28,739	–	44,937	73,676
Liabilities				
Trade payables	–	4,409	–	4,409
Other payables	–	6,695	272	6,967
Advances from customers	–	–	1,075	1,075
Interest-bearing bank loan	–	5,704	–	5,704
Deferred tax liabilities	–	–	1,383	1,383
Deferred income	–	–	2,387	2,387
Provision for rehabilitation	–	–	169	169
	–	16,808	5,286	22,094

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

Classification of financial instruments (cont'd)

Company	Fair value through profit or loss $'000	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ liabilities $'000	Total $'000
31 December 2014					
Assets					
Investment in subsidiaries	–	–	–	33,545	33,545
Derivative asset	13,326	–	–	–	13,326
Other receivables	–	58	–	–	58
Prepayments	–	–	–	136	136
Amounts due from subsidiaries	–	16,452	–	–	16,452
Cash and bank balances	–	2,121	–	–	2,121
	13,326	18,631	–	33,681	65,638
Liabilities					
Bank overdraft (secured)	–	–	447	–	447
Other payables	–	–	170	–	170
	–	–	617	–	617
31 December 2013					
Assets					
Investment in subsidiaries	–	–	–	33,545	33,545
Prepayments	–	–	–	181	181
Amounts due from subsidiaries	–	3,239	–	–	3,239
Cash and bank balances	–	15,966	–	–	15,966
	–	19,205	–	33,726	52,931
Liabilities					
Other payables	–	–	931	–	931

35. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liabilities

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Financial assets				
Fair value through profit or loss				
Convertible loan notes (Note 12)	–	–	23,077	23,077
Derivative asset (Note 12)	–	–	13,326	13,326
	–	–	36,403	36,403
Financial liabilities				
Fair value through profit or loss				
Redeemable preference shares (Note 24)	–	–	(8,200)	(8,200)

There were no assets and liabilities measured at fair value at 31 December 2013.

There has been no transfer between Level 1, Level 2 and Level 3 for the Group during 2014.

(c) Level 3 Fair Value Measurement

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

2014	Fair value at 31 December techniques $'000	Valuation inputs	Unobservable Range	Description
Convertible loan notes	23,077	Binomial Model	Equity value, of underlying asset	$23,077,000
Derivative asset	13,326	Binomial Model	Volatility	40%
Redeemable preference shares	(8,200)	Discounted Cash Flow Method	Discount rate	11%

For convertible loan note, a significant increase/ (decrease) in the expected equity value of underlying asset would result in a significantly higher/ (lower) fair value measurement. An increase/(decrease) in the input by 5% will cause the fair value to increase/(decrease) by $1,154,000/($1,154,000).

For put and call option agreement, significant increases/(decreases) in volatility would result in a significant higher/(lower) fair value measurement. An increase/(decrease) in the input by 5% will caused the fair value to increase/(decrease) by $96,000/($88,000).

For redeemable preference shares, significant increase/(decrease) in discount rate would result in a significant lower/(higher) fair value measurement. An increase/(decrease) in the input by 5% will cause the fair value to decrease/(increase) by $68,000/($70,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) Level 3 Fair Value Measurement (cont'd)

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

Group	Convertible loan note $'000	Options $'000	Redeemable preference shares $'000	Total $'000
At 1 January	–	–	–	–
Fair value gain/(loss) recognised in profit or loss	8,077	13,326	(1,200)	20,203
At 31 December	8,077	13,326	(1,200)	20,203

(iii) Valuation policies and procedures

The assessment of the fair value of financial instruments is performed by the Group's finance department and reported to the Audit Committee on an annual basis.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. In addition, the Group will also select and adopt valuation methodologies in accordance with FRS 113 *Fair Value Measurement*.

The Group's finance department also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the Group's finance department for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. COMMITMENTS

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 10, the Group has leased office premises under operating lease arrangements. Leases for the office premise were negotiated for terms of one to three years. At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating lease fall due as follows:

	Group	
	2014 $'000	2013 $'000
Within one year	112	133
Between one to two years	191	–
	303	133

Minimum lease payments recognised as an expense in profit or loss for the financial years ended 31 December 2014 amounted to $162,000 (2013: $179,000).

(b) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	Group	
	2014 $'000	2013 $'000
Contracted but not provided for		
- Property, plant and equipment	166	189
- Land use rights	–	720
	166	909

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, bank overdraft, trade and other payables, advances from customers, interest-bearing bank loan and redeemable preference shares, less cash and bank balances. Capital includes ordinary shares and reserves.

The Group's policy is to keep the gearing ratio between 25% and 40%.

The Group is monitoring its gearing ratio to adhere to its capital management policy by sourcing for loans and borrowings. At 31 December 2013, the Group is in a net cash position due to the completion of the listing of the Company in October 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2014	**2013**
	$'000	**$'000**
Bank overdraft (secured)	447	–
Trade payables	4,403	4,409
Other payables	6,321	6,967
Advances from customers	340	1,075
Interest-bearing bank loan	3,664	5,704
Redeemable preference shares	8,200	–
Less: Cash and bank balances	(4,838)	(18,602)
Net debt/(cash)	18,537	(447)
Total capital	71,992	51,168
Capital and net debt/(cash)	90,529	50,721
Gearing ratio	20.5%	Not Applicable

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 31 December 2014, the Group received an approval dated 28 February 2015 from Mianzhu Land Bureau on the land use rights for its Phase 2 Land.

39. AUTHORISATION OF FINANCIAL STATEMENTS

The audited consolidated financial statements as at and for the financial year ended 31 December 2014 were authorised for issue by the Board of Directors on 27 March 2015.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 17 March 2015)[1]

Name of Substantial Shareholder		Direct	Deemed
1.	Eastcomm Pte. Ltd. ("Eastcomm")[3]	538,724,137	–
2.	Astute Ventures Pte. Ltd. ("Astute Ventures")[2][3]	–	538,724,137
3.	Ong Bee Kuan Melissa[3]	5,027,690	538,724,137
4.	Dr. Ong Hian Eng[3][4]	6,164,384	548,932,174
5.	Ong Eng Hock Simon[3]	2,919,306	538,724,137
6.	Ong Eng Siew Raymond[3][5]	2,919,306	539,372,868

Notes:

(1) Based on the total issued share capital of 800,000,000 ordinary shares of the Company as at 17 March 2015.

(2) Astute Ventures is entitled to exercise not less than 20% of the votes attached to the voting shares in Eastcomm. As such, pursuant to Section 7 of the Singapore's Companies Act, Chapter 50 (the "Act"), Astute Ventures is deemed to be interested in the shares held by Eastcomm in the Company.

(3) (i) Dr. Ong Hian Eng, Ong Eng Hock Simon, Ong Eng Siew Raymond and Ong Bee Kuan Melissa are relatives.

(ii) Ong Eng Hock Simon, Ong Eng Siew Raymond and Ong Bee Kuan Melissa are siblings. They are also directors of, and are entitled to exercise not less than 20% of the votes attached to the voting shares in the share capital of, Astute Ventures. Each of Dr. Ong Hian Eng and Astute Ventures are, in turn, entitled to exercise not less than 20% of the votes attached to the voting shares in the share capital of Eastcomm.

(iii) Dr. Ong Hian Eng, Ong Eng Siew Raymond and Ong Bee Kuan Melissa are also directors of Eastcomm.

As such, pursuant to Section 7 of the Act, Ong Bee Kuan Melissa, Dr. Ong Hian Eng, Ong Eng Hock Simon and Ong Eng Siew Raymond are deemed to be interested in the shares held by Eastcomm in the Company.

(4) Dr. Ong Hian Eng is also deemed to be interested in the 10,208,037 shares held by his spouse in the Company.

(5) Ong Eng Siew Raymond is also deemed to be interested in the 648,731 shares held by his spouse in the Company.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2015

Issued and fully Paid-up Capital	:	S$57,944,784.00
Number of Ordinary Shares in Issue (excluding treasury shares)	:	800,000,000
Class of Shares	:	Ordinary
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1-99	1	0.11	23	0.00
100-1,000	18	1.93	17,977	0.00
1,001-10,000	176	18.95	1,302,000	0.16
10,001-1,000,000	697	75.03	65,180,762	8.15
1,000,001 AND ABOVE	37	3.98	733,499,238	91.69
TOTAL	**929**	**100.00**	**800,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	EASTCOMM PTE. LTD.	538,724,137	67.34
2	HWA HONG EDIBLE OIL INDUSTRIES PTE LTD	24,452,384	3.06
3	UOB KAY HIAN PRIVATE LIMITED	19,315,000	2.41
4	ONG KWEE ENG	16,218,265	2.03
5	RAFFLES NOMINEES (PTE) LIMITED	15,555,812	1.94
6	OCBC SECURITIES PRIVATE LIMITED	10,811,000	1.35
7	KONG SOU HUI GRACE	9,408,037	1.18
8	ONG BEE PHENG (WANG MEIPING)	9,408,037	1.18
9	ONG ENG KEONG (WANG RONGKANG)	9,408,037	1.18
10	KONG SOU YAN	8,825,800	1.10
11	NG SIEW TIN	6,592,959	0.82
12	ONG HIAN ENG	6,164,384	0.77
13	ONG BEE KUAN MELISSA (WANG MEIJUAN MELISSA)	5,027,690	0.63
14	PHILLIP SECURITIES PTE LTD	3,898,000	0.49
15	CITIBANK NOMINEES SINGAPORE PTE LTD	3,778,886	0.47
16	HENG PAUL STEPHEN	3,736,000	0.47
17	LEE SOO HIAN JAMES	3,646,192	0.46
18	LIU JUNHANG	3,525,962	0.44
19	ONG ENG HOCK SIMON	2,919,306	0.36
20	ONG ENG SIEW RAYMOND	2,919,306	0.36
	TOTAL	**704,335,194**	**88.04**

PUBLIC FLOAT

Based on the information available to the Company as at 17 March 2015, approximately 20.91% of the issued shares of the Company are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the Singapore Exchange Securities Trading Limited.

TREASURY SHARES

There are no treasury shares held by the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AsiaPhos Limited (the "**Company**") will be held at Edelweiss Room (Level 3), Aperia, 10 Kallang Avenue, Singapore 339510, on Wednesday, 29 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 88 of the Articles of Association of the Company, and who have, being eligible, offered themselves for re-election as Directors:

   Mr Ong Eng Siew Raymond (Retiring under Article 88) **(Resolution 2)**
   Ms Ong Bee Pheng (Retiring under Article 88) **(Resolution 3)**
   [See Explanatory Note (i)]

3. To re-appoint Mr Hong Pian Tee who, being over the age of 70 years, will cease to be a Director at this Annual General Meeting, and who, being eligible, offers himself for re-appointment pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act") to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.

   [See Explanatory Note (ii)] **(Resolution 4)**

   The profiles of the above mentioned directors can be found under the sections entitled "Board of Directors" and the "Report on Corporate Governance" in the Annual Report 2014.

4. To approve the payment of Directors' fees of S$240,000 for the financial year ending 31 December 2015, payable quarterly in arrears. (2014: S$240,000)
   (Resolution 5)

5. To re-appoint Ernst & Young LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
   (Resolution 6)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

   That pursuant to Section 161 of the Singapore Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association, for the time being, of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

8. **Authority to allot and issue shares under the AsiaPhos Performance Share Plan**

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the AsiaPhos Performance Share Plan and to allot and issue from time to time, such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the AsiaPhos Performance Share Plan, provided always that the aggregate number of shares issued and issuable pursuant to vesting of awards granted under the AsiaPhos Performance Share Plan, when added to (i) the number of shares issued and issuable in respect of all awards granted or awarded thereunder; and (ii) all shares issued and issuable in respect of all options granted or awards granted under any other share incentive scheme or share plan adopted by the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) of the Company on the day preceding the relevant date of the award.

[See Explanatory Note (iv)] **(Resolution 8)**

By Order of the Board

Yoo Loo Ping,
Company Secretary
Singapore,
13 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Ong Eng Siew Raymond, upon re-election as a Director of the Company, will remain as a Non-Executive Director.

Ms Ong Bee Pheng, upon re-election as a Director of the Company, will remain as a Non-Executive Director.

(ii) Mr Hong Pian Tee, upon re-election as a Director of the Company, will remain as Chairman of the Board, a member of the Audit and Remuneration Committees, and the Board of Directors (save for Mr Hong Pian Tee) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

(iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the AsiaPhos Performance Share Plan in accordance with the provisions of the AsiaPhos Performance Share Plan and to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the AsiaPhos Performance Share Plan subject to the maximum number of shares prescribed under the terms and conditions of the AsiaPhos Performance Share Plan.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the AsiaPhos Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 7.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies. If the Member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place, #25-03 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

3. Personal data privacy:

   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

   (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

   (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

   (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

4. This notice of Meeting ("**Notice**") 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 Notice.

   This Notice has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Notice, including the correctness of any of the statements or opinions made or reports contained in this Notice.

   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.

ASIAPHOS LIMITED
Company Registration No. 201200335G
(Incorporated In The Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

*I/We, ______________________________ (name)
of ______________________________ (address)
being a *member/members of AsiaPhos Limited (the "Company"), hereby appoint:

Name	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Edelweiss Room (Level 3), Aperia, 10 Kallang Avenue, Singapore 339510, on 29 April 2015 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.
(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
2	Re-election of Mr Ong Eng Siew Raymond as a Director		
3	Re-election of Ms Ong Bee Pheng as a Director		
4	Re-appointment of Mr Hong Pian Tee as a Director		
5	Approval of Directors' fees amounting to S$240,000 for the year ending 31 December 2015, payable quarterly in arrears		
6	Re-appointment of Ernst & Young LLP as Independent Auditors		
7	Authority to issue new shares		
8	Authority to allot and issue shares under the AsiaPhos Performance Share Plan		

Dated this _____day of ______________ 2015

____
Signature of Member(s) or, Common Seal of Corporate Member

*Delete where inapplicable

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Notes :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #25-03 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which this instrument appointing a proxy shall be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 13 April 2015.

ASIAPHOS LIMITED
10 Kallang Avenue
Aperia, #05-11
Singapore 339510
Tel: +65 6292 3119
Fax: +65 6292 3122

www.asiaphos.com