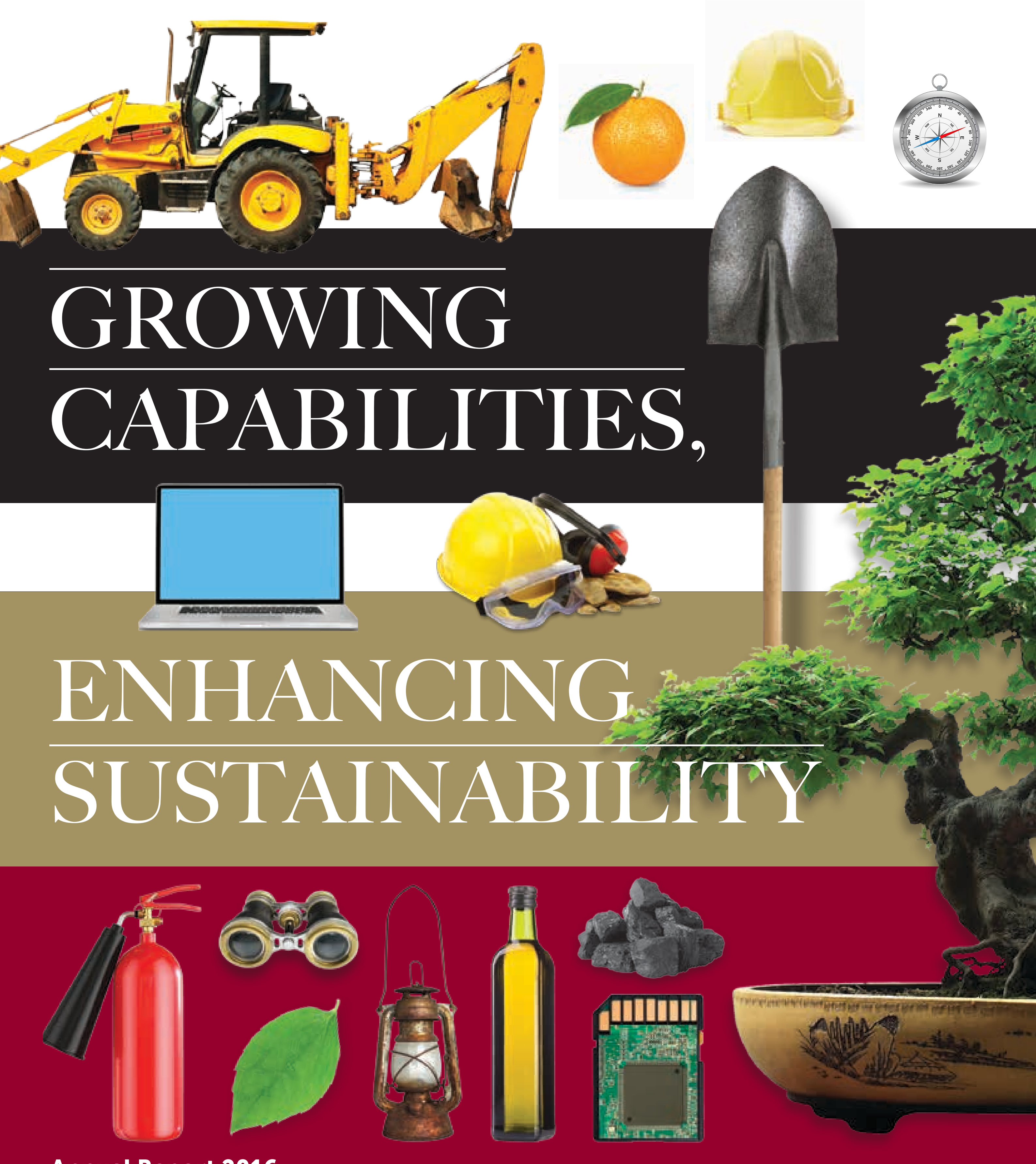
ASIAPHOS

GROWING CAPABILITIES, ENHANCING SUSTAINABILITY



Annual Report 2016

CONTENTS

This annual report ("AR") has been prepared by the Company and its contents have been reviewed by the Company's sponsor, United Overseas Bank Limited ("Sponsor"), for compliance with the relevant rules of Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this AR.

This AR has not been examined or approved by 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 person for the Sponsor is Mr Lim Hoon Khiat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.

We may be able to substitute nuclear power for coal power, and plastics for wood, and yeast for meat, and friendliness for isolation –
But for phosphorus there is neither substitution nor replacement.

Isaac Asimov's 1959 essay 'Life's Bottleneck'

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

ABOUT ASIAPHOS

Listed on the Catalist Board of the SGX-ST 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 its product range, AsiaPhos has adopted a vertically-integrated strategy to process and refine raw phosphate rocks and produce downstream phosphate-based chemical products. AsiaPhos currently owns two mining rights and three exploration rights, as well as a downstream processing facility in the Gongxing Industrial Park in Sichuan Province.

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.

2003 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.

Due to the 2008 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.

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.

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.

Successfully listed on the Catalist Board of the SGX-ST on 7 October 2013.

2014

Received approval for the expansion of exploration right for Cheng Qiang Yan mine to 1.54km^2.

2015

Completed acquisition of LY Resources Group.

Obtained land use rights for Phase 2 land to rebuild and expand downstream processing facilities.

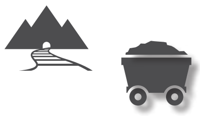
2016

Obtained renewal of mining and exploration right for Cheng Qiang Yan mine, as well as the exploration right for Shi Sun Xi mine.

Obtained renewal of exploration right for Feng Tai mine for an exploration area of approximately 12.43 km^2.

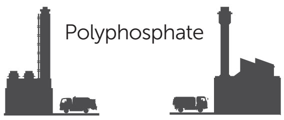
Signed MOU with major customer Mianyang Aostar Phosphorus Chemical Industry Co., Ltd.

PRODUCTION MODEL FLOW CHART



Phosphate Rocks

P_4
(Commenced commercial production in 2014)

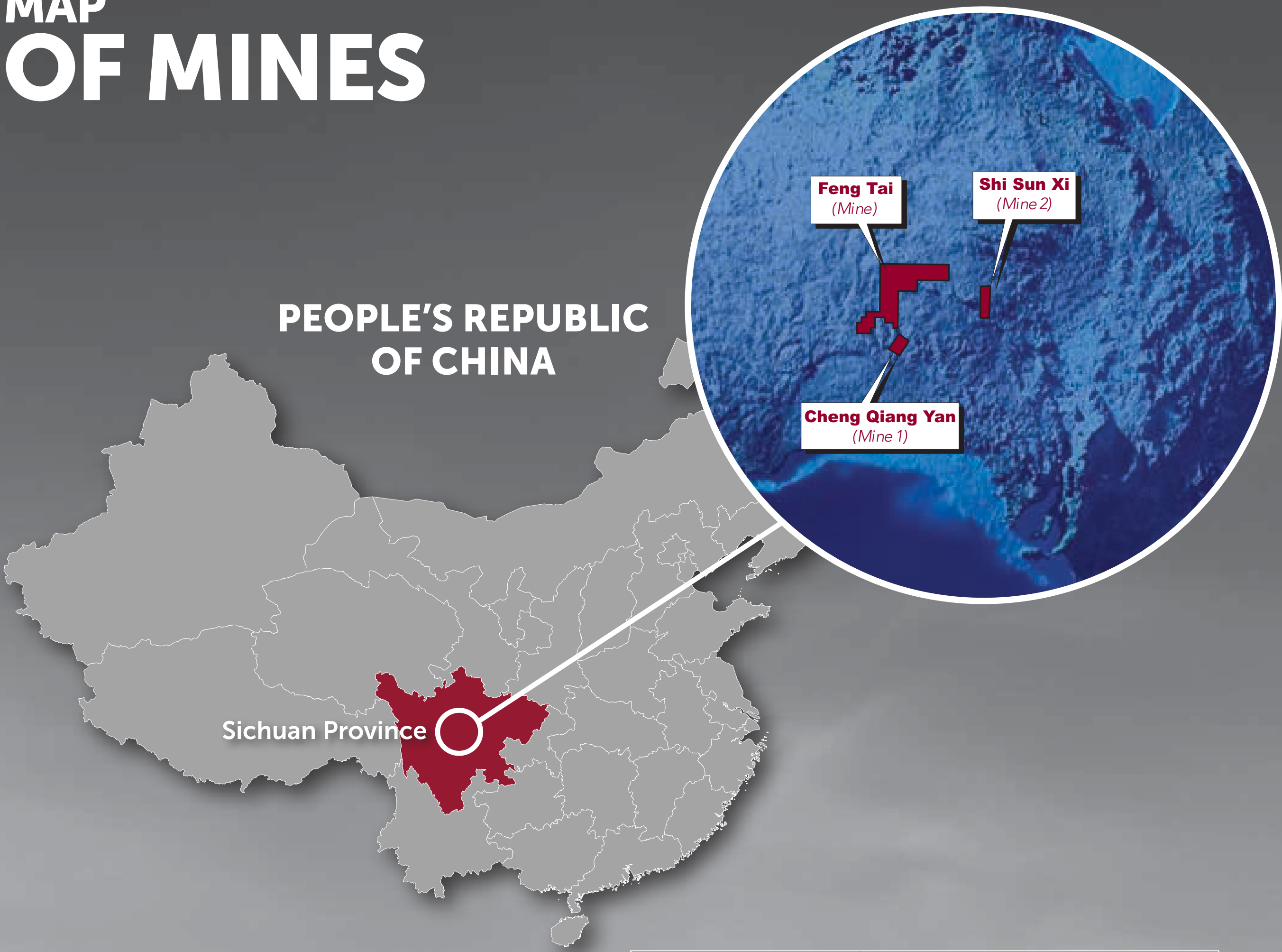


Polyphosphate

SHMP (food/non-food grade)

STPP (food/non-food grade) (Completed relocation from old factory site and commenced commercial production in 2013)

MAP OF MINES



Shi Sun Xi Mine (Mine 2)	
Mining Permit Area	2.02 km^2
Mining Licence Period	March 2011 to January 2020
Exploration Permit Area	1.28 km^2
Exploration Licence Period	June 2016 to June 2018
Approved Production Scale	200,000 tonnes per annum

Cheng Qiang Yan Mine (Mine 1)	
Mining Permit Area	1.65 km^2
Mining Licence Period	December 2016 to February 2018
Exploration Permit Area	1.54 km^2
Exploration Licence Period	April 2016 to April 2018; Application to convert to mining rights submitted & in-process
Approved Production Scale	50,000 tonnes per annum[1]

[1] The Group has applied to the Sichuan Province Land and Resources Department to increase its approved production scale from 50,000 tonnes to potentially 400,000 tonnes per year by conversion of its exploration right to a mining right.

Feng Tai Mine	
Exploration Permit Area	12.43 km^2
Exploration Licence Period	December 2015 to December 2017

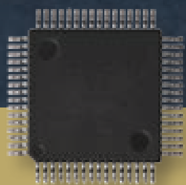
USES OF PHOSPHATE

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:

ORAL CARE

- oral hygiene products, e.g. mouthwash and toothpaste

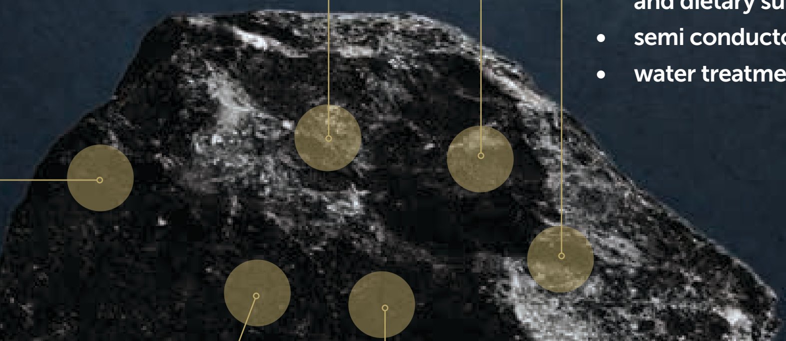


OTHERS

- ceramics;
- detergents and cleaning products ;
- explosives;
- lubricants for industrial applications;
- metal treatment products;
- paper;
- pharmaceutical products and dietary supplements;
- semi conductors; and
- water treatment products

LCD PANELS AND PLASMA SCREENS

PAINT



FOOD & BEVERAGE

- fertilisers; and
- food and beverage products, e.g. milk, cheese, frozen and canned vegetables, soft drinks, poultry products and fish fillets

FIRE RETARDANTS

ANIMAL FEED

MESSAGE TO SHAREHOLDERS

During the year, we continued to grow our capabilities through prudent investment in infrastructure to expand output and boost productivity.

DEAR SHAREHOLDERS

The financial year ended 31 December 2016 ("**FY2016**") was a year we focused on growing the core strengths of our business, and making improvements to our systems and capabilities to achieve long term sustainability. While the year presented various challenges which have exerted an impact on our production output, there were also opportunities which we leveraged to invest in infrastructure and form partnerships, with the ultimate aim of lowering production costs, raising profit margins and expanding into new markets.

PERFORMANCE REVIEW

In FY2016, we continued to focus our efforts on our downstream operations and developing the P_4 market in the People's Republic of China ("**PRC**").

Downstream revenue was impacted by the production and transport restrictions imposed on our customers before and during the G20 Summit in Hangzhou Province, in September 2016. We also had to suspend production of P_4 for about three weeks, following the industrial accident at our P_4 plant in October 2016, during which investigations and safety checks were being carried out. This affected the production of P_4 in the last quarter of the year which in turn reduced the total quantity we were able to sell. The restart costs for the plant also increased our production costs of P_4 in the last quarter of the year. This resulted in revenue from our downstream segment, which contributed almost 70% to our total revenue in FY2016, to decline by 11% to S$23.6 million, from S$26.5 million in the previous financial year ("**FY2015**").

Reflecting the Group's strategy to focus on downstream operations, which are of higher value-add, the Group sold only the lower-quality phosphate rocks which typically fetch lower average selling prices. As a result, revenue from our upstream segment decreased to S$10.8 million in FY2016, from S$18.0 million in FY2015.

In total, the Group's revenue decreased by 23% to S$34.3 million in FY2016, from S$44.5 million in FY2015.

The Group also reported a net attributable loss of S$1.7 million in FY2016, compared to a profit of S$2.2 million in FY2015, which had included non-recurring net gains of S$2.4 million relating to the LYR acquisition completion.

CORPORATE UPDATES

During the year, we continued to grow our capabilities through prudent investment in infrastructure to expand output and boost productivity. By staying nimble in adapting our business plans to changing market conditions for phosphate, we are ensuring that the Group can continue to deliver consistent and sustainable growth in the long term.

Since the aforementioned disruptions in the production of P_4 in the last quarter of FY2016, barring unforeseen circumstances, we expect to resume full operating capacity in the second quarter of 2017. In pursuing growth in the downstream segment, we have been diligently implementing our two-pronged strategy – cost reduction and increased market penetration. Through making improvements to one of the furnaces, our P_4 production efficiency was enhanced and electricity consumption was lowered during the production process, leading to a progressive reduction in the production costs of P_4. In addition, due to changes in regulations governing the electricity tariff structure, we were also able to negotiate and secure electricity at lower rates.

At the same time, we stepped up efforts to grow market demand and build up a customer base in the PRC, outside of Sichuan Province. In fact, our intention is to seek strategic partnerships to further expand the downstream segment, so that we can achieve a stable recurring earnings base for the Group. In the medium to long term, our priority will be to expand our customer base beyond the PRC. In this respect, we received a boost from a government initiative introduced in August 2016 to lower the minimum export price of P_4. This has increased the price competitiveness of P_4 produced in the PRC, which will give us an edge as we actively seek export markets for P_4.

In terms of outlook for P_4 in FY2017, it is expected to remain challenging and we will continue to monitor the situation and take steps to ensure the economic production and profitability of P_4.

In recognition for our environmental efforts in P_4 production, in which the gas produced as a by-product is collected and reused for other downstream operations, we received a government grant towards furthering these industrial improvements in FY2016. We will continue to adopt measures that are sustainable and environmentally-sound in compliance with laws and regulations.

For our upstream operations, we have successfully applied for and received approval for the renewal of the exploration permit for Mine 2, covering an area of approximately 1.28 km^2, which is valid until June 2018. Output for Mine 2, for which we hold the mining licence for an area of approximately 2.02 km^2, is expected to increase.

More recently, in March 2017, we have also successfully renewed our mining licence for Mine 1, which covers an area of approximately 1.65 km^2, and will be valid until February 2018. The mining licence is for an approved extraction scale of 50,000 tonnes per year. In our application to renew our mining licence for Mine 1, we were advised by the Sichuan Province Land and Resources Department that the area covered by the Mine 1 mining licence could be inside the area earmarked for a proposed panda reserve, although no details have been released yet.

Another positive development for the Group was the receipt of the approval for the renewal of the exploration licence for the Feng Tai mine. The renewed exploration licence covers an exploration area of approximately 12.43 km^2 and is valid till December 2017.

NEW PARTNERSHIP

In line with our goal to further develop and expand our downstream operations, we forged a strategic partnership during the year through the signing of a non-binding memorandum of understanding ("**MOU**") with Mianyang Aostar Phosphorus Chemical Industry Co., Ltd. (绵阳启明星磷化工有限公司) ("**Mianyang Aostar**"). Mianyang Aostar is one of the largest manufacturers of yellow phosphorus, phosphoric acid and related phosphate products in the PRC. The initiatives under the MOU will cover several areas of the Group's operations, including the development of the P_4 market in the PRC, with the aim of establishing reasonable pricing and preventing unfair competition. Both parties will also seek to purchase phosphate-based chemical products from each other to satisfy orders which are in excess of their respective available inventory or capacity (where applicable). We are also exploring the purchase of electricity at preferential rates, by leveraging on Mianyang Aostar's existing electricity arrangements.

We will also prioritise the fulfilment of purchase orders from Mianyang Aostar for phosphate rocks, subject to our internal requirements. To this end, we have recently in March 2017 entered into a letter of intent in relation to the sale of an aggregate of 150,000 tonnes of phosphate rocks to Mianyang Aostar in FY2017.

In addition, we have also inked a strategic cooperation framework agreement with Sichuan Lomon Phosphorus Chemical Co., Ltd (四川龙蟒磷化工有限公司) ("**Lomon Chemicals**") in March 2017 relating to the sale and purchase of phosphate rocks. Lomon Chemicals is a fertiliser producer based in Sichuan Province, the PRC and is one of our longstanding customers. Under this framework agreement, which covers FY2017, an aggregate of 120,000 tonnes of phosphate rocks will be supplied by Mianzhu Norwest to Lomon Chemicals. The framework agreement with Lomon Chemicals also enables Mianzhu Norwest to purchase an aggregate of 120,000 tonnes of phosphate rocks from Lomon Chemicals.

Both of these new agreements, if completed, are expected to contribute positively to the Group's performance and cash flows in FY2017.

RIGHTS CUM WARRANTS ISSUE

In December 2016, the Group announced a renounceable non-underwritten rights issue of up to 112,664,875 new ordinary shares in the capital of the Company at an issue price of S$0.08 for each rights share, with up to 112,664,875 free detachable and transferable warrants, each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of S$0.08 per share ("**Rights cum Warrants Issue**"). The Rights cum Warrants Issue was successfully completed on 24 March 2017, raising net proceeds of approximately S$8.71 million which enables the Group to strengthen its financial position by increasing its capital base and reducing its gearing.

IN APPRECIATION

We wish to express our sincere gratitude to our fellow Board members for their active participation and steadfast guidance. To our business partners and loyal shareholders, our heartfelt appreciation for your support and trust in the Group. Special thanks go to our management and staff for their dedication and tireless efforts in growing our capabilities amidst challenging economic conditions.

With the slowdown in global economies and uncertainty in commodity markets, the year ahead remains challenging. However, our confidence in the growth potential of phosphate remains strong due to its essentiality to life and the depleting global supply of this non-renewable and irreplaceable mineral. With this in mind, we will continue to work towards increasing returns to all stakeholders.

Hong Pian Tee
Non-Executive Chairman

Dr. Ong Hian Eng
CEO and Executive Director

FINANCIAL REVIEW

OVERVIEW

In FY2016, our total revenue was reduced to S$34.3 million from S$44.5 million in FY2015, with downstream revenue contribution at almost 70%, and the remaining from upstream operations. The Group's output and sale of P_4 was impacted by production and transport restrictions before and during the G20 summit in September 2016 which affected our customers, and our industrial accident in October 2016. As the industrial accident also led to higher production costs during the recovery period, the Group recorded a net loss after tax of S$1.7 million in FY2016, against a net profit after tax of S$2.2 million in FY2015.

INCOME STATEMENT

Upstream Revenue

- Reduced to S$10.8 million in FY2016 from S$18.0 million in FY2015 as the Group sells only the low quality phosphate rocks which typically fetch lower average selling prices. The high quality rocks are retained for P_4 production.

Downstream Revenue

- Decreased to S$23.6 million in FY2016 from S$26.5 million in FY2015 due to reduction in sales quantity and average selling price of P_4.

Upstream Gross Profit

- Decreased to S$2.2 million in FY2016 from S$5.9 million in FY2015 due to reduction in average selling price which was partially offset by lower production costs resulting from lower mining levies and absence of profit-sharing costs in FY2016.

Downstream Gross Profit

- Increased to S$3.0 million in FY2016 from S$2.6 million in FY2015 due to lower production costs which was partially offset by lower average selling price.

Other Income

- Decreased from S$6.4 million in FY2015 to S$0.3 million in FY2016 due to an absence of fair value gains and interest income from convertible loan note.

Taxation

- In FY2016, a tax credit was recognised in relation to the depreciation and amortisation of property, plant and equipment, as well as mining properties relating to the LYR acquisition.

	FY2016 S$'000	FY2015 S$'000	Change %
Revenue	34,345	44,505	(23)
Cost of sales	(29,090)	(36,018)	(19)
Gross profit	5,255	8,487	(38)
Other income	337	6,378	(95)
Selling and distribution costs	(629)	(496)	27
General and administrative costs	(6,002)	(7,684)	(22)
Finance costs	(892)	(1,229)	(27)
Other expenses	–	(2,429)	N.M.
(Loss)/Profit before tax	(1,931)	3,027	N.M.
Taxation	197	(818)	N.M.
(Loss)/Profit for the year attributable to owners of the Company	(1,734)	2,209	N.M.

"N.M" denotes not meaningful

BALANCE SHEET

Non-current assets decreased to S$121.6 million as at 31 December 2016 from S$123.8 million as at 31 December 2015 mainly due to:

- S$2.3 million decrease in mine properties, land use rights and property, plant and equipment due to amortisation, depreciation and currency translation for FY2016.

Current assets increased to S$16.2 million as at 31 December 2016 from S$13.0 million as at 31 December 2015 mainly due to:

- S$5.2 million increase in stocks.
- Partially offset by decreases in trade receivables and cash and bank balances due to receipts from customers and payments made.

Current liabilities increased to S$21.1 million as at 31 December 2016 from S$20.6 million as at 31 December 2015 mainly due to:

- S$8.1 million increase in bank loans (secured) and a shareholder's loan.
- S$1.6 million increase in trade payables.
- Partially offset by the full redemption of its Redeemable Preference Shares issued in April 2014; decrease in other payables and provision for taxation.

Non-current liabilities increased to S$25.6 million as at 31 December 2016 from S$20.5 million as at 31 December 2015 mainly due to:

- Issuance of new Redeemable Preference Shares in January 2016 of S$5.7 million.
- Partially offset by a S$0.6 million reduction in deferred tax liabilities and deferred income.

	As at 31 Dec 2016 S$'000	As at 31 Dec 2015 S$'000
Non-current assets	121,576	123,815
Current assets	16,213	12,995
Total assets	137,789	136,810
Current liabilities	21,115	20,600
Non-current liabilities	25,603	20,489
Total liabilities	46,718	41,089
Net assets	**91,071**	**95,721**
Share capital	68,151	68,151
Reserves	13,457	18,107
Non-controlling interest	9,463	9,463
Total equity	**91,071**	**95,721**

CASH FLOW STATEMENT

- Due mainly to outflows from working capital changes of S$3.6 million, interest paid of S$1.4 million and tax paid of S$0.7 million, offset by cash inflow generated from operating profit before working capital changes of S$3.0 million.

- Due mainly to payments made for property, plant and equipment.

- Due mainly to proceeds from bank loans and issuance of Redeemable Preference Shares in 2016 and shareholder's loan.
- Partially offset by the redemption of Redeemable Preference Shares which were issued in 2014 and dividends paid.

	FY2016 S$'000	FY2015 S$'000
Net cash flows (used in)/ generated from operating activities	(2,632)	9,542
Net cash flows used in investing activities	(4,156)	(5,911)
Net cash flows generated from/(used in) financing activities	4,816	(3,765)
Cash and cash equivalents at beginning of the year	3,098	3,211
Net(decrease)/increase in cash and cash equivalents	(1,972)	(134)
Exchange rate differences	(114)	21
Cash and cash equivalents at end of the year	**1,012**	**3,098**

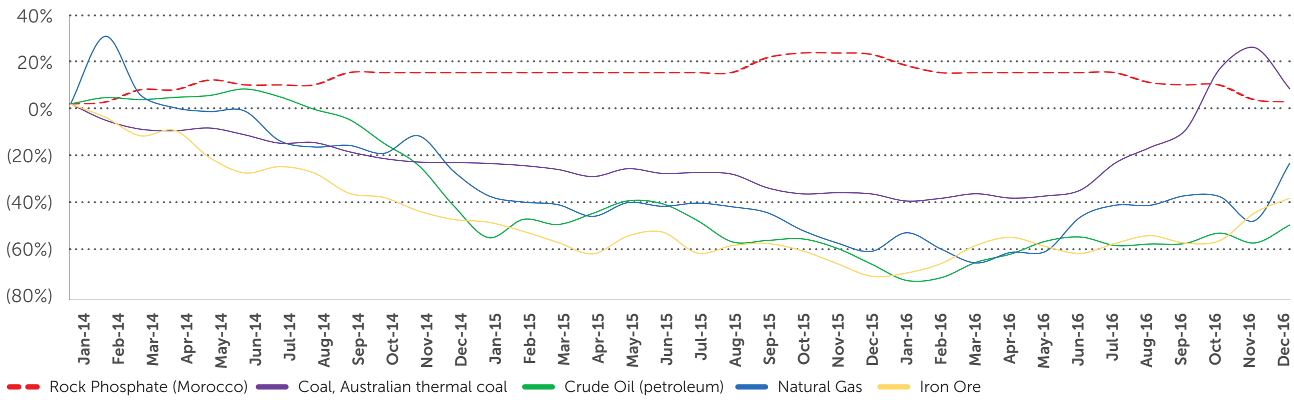
FINANCIAL HIGHLIGHTS

	FY2016	FY2015	FY2014	FY2013	FY2012
Group Income Statements (S$m)					
Revenue	34.3	44.5	23.8	8.5	4.9
EBITDA[1]	3.2	5.3	1.8	0.9	0.3
Profit/(Loss) before tax	(1.9)	3.0	19.5	(2.2)[2]	1.5[2]
Profit/(Loss) after tax	(1.7)	2.2	19.5	(3.7)[2]	1.2[2]
Group Balance Sheets (S$m)					
Total assets	137.8	136.8	99.9	73.7	43.6
Total liabilities	46.7	41.1	28.0	22.5	15.0
Equity attributable to owners of the Company excluding non-controlling interest	81.6	86.3	72.0	51.2	28.6

1 Excludes non-recurring items
2 Includes one-off IPO expenses

ROCK PHOSPHATE PRICE COMPARISON CHART

Rock Phosphate vs Other Commodities - Price Comparison vs Jan 2014 (To Dec 2016)



Source: IndexMundi/World Bank (Date extracted: 28 February 2017).

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-appointed on 29 April 2016. 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, and 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 has been an Executive Director and the CEO of our Company since 3 January 2012. His responsibilities include overseeing the overall development of the 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 has been an Executive Director since 1 October 2012. He was last re-elected on 29 April 2016. 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 29 April 2016. 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 the SGX-ST. He is a director of his own investment firm, Wise Alliance Investments Ltd. and 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.

BOARD OF DIRECTORS

He was also an Independent Director of JES International Holdings Limited, a company listed on the Mainboard of the 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 Foundation Pte Ltd and Independent Director of Sheng Siong Group Limited, TLV Holdings Limited, Vicom Ltd and Lereno Bio-Chem Ltd. He was also formerly a director of Singapore Post Ltd and OEL Holdings Ltd. All of which are companies listed on the SGX-ST. He is also Non-Executive Director of WaterTech Pte Ltd, Seacare Manpower Pte Ltd and Edu-Community Pte Ltd. Mr Goh is a member of the Singapore Institute of Directors.

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 and Management from the Asian Institute of Technology. In 2015, Mr Goh was awarded the Public Service Star (Bar) and was appointed a Justice of Peace by the President of the Republic of Singapore.

ONG ENG SIEW RAYMOND

Non-Executive Director, Non-Independent

Mr Raymond Ong was appointed a Director on 1 October 2012. He was re-elected on 29 April 2015.

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. Between 2011 and 2016, he was the Chief Financial Officer of Great Eastern Life Assurance (Malaysia) Berhad, and effective January 2017, he was appointed as the Group Chief Risk Officer of Great Eastern Life Assurance Co. Ltd.

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 was last re-elected on 29 April 2015.

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., and Chinatrust Commercial Bank Co., Ltd.. She is currently a compliance officer in the Singapore office of Barclays Bank PLC.

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 Nonferrous 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 Nonferrous 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.

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

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 a 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 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-Operations

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 a 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 an 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 a non-practising member of the Institute of Singapore Chartered Accountants and a member of the Association of Chartered Certified Accountants.

WU LIPING

Deputy General Manager

Mr Wu joined the Group in 2015 as Deputy General Manager, and was responsible for production, Health, Safety & Environment ("**HSE**"), Quality Control ("**QC**"), maintenance and procurement.

Mr Wu started his career as a chemical process engineer in Zhenghai Refinery Company in China in 1988 and moved to Dovechem Singapore as a chemical process engineer in 1996. He held various positions in Vaspar Chemical China including engineering manager and plant manager from 2006 to 2015.

Mr Wu holds a Bachelor of Chemical Engineering from East China University of Chemical Technology.

SUMMARY OF MINERAL RESERVES AND RESOURCES

The summary of the mineral resources and reserves of the Group as at 31 December 2016 ("**Summary of Mineral Resources and Reserves**") is shown below. The table must be read in conjunction with the report ("**Report**") entitled Technical Review of AsiaPhos Limited Cheng Qiang Yan and Shi Sun Xi Phosphate Deposits, and Fengtai Exploration Property, Mianzhu City, Sichuan Province, People's Republic of China dated 17 March 2017 issued by Watts, Griffis and McOuat Limited ("**WGM**") prepared in accordance with the requirements of Practice Note 4C of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

Summary of the Mineral Resources and Reserves for Sichuan Mianzhu Norwest's Mines
(a wholly-owned subsidiary of AsiaPhos Limited)

Category	Mineral Type	Gross Attributable to licence		Net Attributable to the Group Assumed at 100%			Remarks
		Tonnes (millions)	Grade (P_2O_5 %)	Tonnes (millions)	Grade (P_2O_5 %)	Change from previous update (%)	
Reserves							
Proved	Phosphorite	1.1	27.96	1.1	27.96	+10	103,000 tonnes increase
Probable	Phosphorite	0.5	29.11	0.5	29.11	0	
Total		**1.6**	**28.29**	**1.6**	**28.29**	+7	
Resources							
Measured	Phosphorite	16.1	27.50	16.1	27.50	-2	247,000 tonnes decrease
Indicated	Phosphorite	11.3	29.43	11.3	29.43	0	
Total		**27.4**	**28.30**	**27.4**	**28.30**	**-1**	
Inferred*	Phosphorite	17.9	29.77	17.9	29.77	0%	

* Note, Inferred Mineral Resources cannot be included in total Resources calculations under NI 43-101 Standard

Notes:
Mineral Resources and Reserves effective 31 December 2016.

(1) WGM Senior Associate Industrial Mineral Specialist, Donald Hains, P.Geo. is the Qualified Person for this Mineral Resource/Reserve estimate.

(2) Mineral Resources are estimated at a cut off value of 8% P2O5 (based on a price of US$60/t P2O5), and a minimum phosphorite bed thickness of 0.25 m.

(3) 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.

(4) 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.

(5) 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 May 10, 2014.

(6) S.G. of 3.08 tonnes/m^3 and 3.03 tonnes/m^3 used for Cheng Qiang Yan and Shi Sun Xi respectively.

(7) Indicated amounts may not precisely sum due to rounding.

(8) Inferred Resource cannot be included in total Resource calculation under NI 43-101 Standard.

(9) Previous Mineral Resource estimate update was prepared 9 March 2016.

(10) The decreased tonnages in the Measured and Indicated categories are attributed to the upgrading of portions of the resources to the Mineral Reserve category, and to a lesser extent, depletion due to ongoing mining.

(11) Estimated Mineral Resources reported are in addition to Mineral Reserves.

(12) "N.A." = Not applicable.

On 16 March 2016, the Company obtained a waiver from the SGX-ST from strict compliance with the requirements under Rule 1204(23)(a) of the Catalist Rules to reproduce the qualified person's report ("**QPR**") in the Company's annual report for FY2015 and subsequent QPRs in subsequent annual reports of the Company, subject to certain conditions ("**Waiver**"). Please refer to the Company's announcement dated 16 March 2016 for further details on the Waiver.

Shareholders of the Company should note that the Report is available on the SGXNET and the Company's website at http://www.asiaphos.com. Hard copies of the Report will also be furnished to Shareholders upon their request.

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 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 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 from 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 used 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 focused 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 have completed the construction of 'six safety' monitoring 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 emergency, within the vicinity of the adits and compressed air self-rescue devices. During 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 implemented 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.

We invested substantial amount of the capital expenditure of our P_4 plant in environmental and safety features, ensuring that we have control over monitoring every aspect of the entire production process. Fire drills are an important part of our fire safety procedures. During FY2016, we conducted fire drills for our P_4 production line to test the effectiveness of the fire evacuation plan and to familiarise the staff with the necessary response measures. In addition, in FY2016, 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.

CORPORATE SOCIAL RESPONSIBILITY

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.

The Group has standardised its form of employment, so as to ensure the basic rights and interest 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 be 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 our raw materials from local suppliers within the vicinity of our operations.

REPORT ON CORPORATE GOVERNANCE

To allow greater transparency and safeguarding of shareholders' interests, the board ("**Board**") of directors (the "**Directors**") and the management (the "**Management**") of AsiaPhos Limited (the "**Company**") are committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**"). For the financial year ended 31 December 2016 ("**FY2016**"), 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 of the Company;
- Overseeing and safeguarding the shareholders' interest and Group'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 the Directors and substantial shareholders of the Company, the Group's annual budget, interested person transactions, major acquisitions and disposals of material assets, dividend and other distributions to shareholders, and those transactions or matters which require the Board's approval under the provisions of the Catalist Rules, from time to time, or any applicable regulations;
- Approving changes in the composition of the Board;
- Identifying key stakeholder 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 has delegated specific responsibilities to three (3) Board committees, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"), (collectively, the "**Committees**") to support its role and responsibilities. The Committees operate within its own clearly defined terms of references (the "**Charter**") and operating procedures which are reviewed on a regular basis and improved as and when required to meet the changes in laws and other guidelines. All Committees are headed by Independent Directors. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. The Board is the highest authority of approval and ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board conducts scheduled meetings on a quarterly basis which are scheduled at the beginning of each calendar year. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company allows Board meetings to be conducted *via* any form of audio or audio-visual communication. The Board may also make decisions by way of resolutions in writing. Currently, there is no specific written policy on matters reserved for the Board as this may limit the type of matters or transactions. Significant matters or transaction are notified by Management to the Board as and when they occur. The Board is updated on changing commercial risks and key changes in the relevant legal and regulatory requirements, as well as accounting standards via electronic mail.

REPORT ON CORPORATE GOVERNANCE

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. At each quarterly Board meeting, the Board will receive updates on business and strategic developments of the Group, industry developments and matters related to the Group. The Directors are free to discuss any information or views presented by any member of the Board and Management.

Where necessary or appropriate, members of the Board exchange views outside the formal environment of Board meetings. All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the best interests of the Company.

The attendance record of each Director at meetings of the Board and the Committees during FY2016 is disclosed below:

	Number of meetings attended in FY2016			
Name of Director	**Board**	**AC**	**NC**	**RC**
Hong Pian Tee	4	4	1(1)	2
Dr. Ong Hian Eng ("**Dr. Ong**")	4	4(1)	1	2(1)
Ong Eng Hock Simon ("**Simon Ong**")	4	4(1)	1(1)	2(1)
Francis Lee Fook Wah ("**Francis Lee**")	4	4	1	2
Goh Yeow Tin	4	4	1	2
Ong Eng Siew Raymond ("**Raymond Ong**")	3	3(1)	1(1)	1(1)
Ong Bee Pheng	3	3(1)	-	1(1)
Number of meetings held in FY2016	**4**	**4**	**1**	**2**

Note:

(1) Attended as invitee.

Newly appointed Directors will be given briefings and orientation by the Executive Directors and Management to familiarise themselves 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 they understand the Group's financial and control environment as well as the significant risks faced by the Group. A formal letter will be sent to newly appointed Directors upon their appointment explaining, among other things, their roles, duties and responsibilities as members of the Board. There was no new Director appointment during FY2016.

Where the Company appoints a director with no prior experience as a director of a Singapore-listed company, the new appointee would be required to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors. 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 new rules and regulations and industry-related matters, 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.

As at the date of this report, the Board comprises seven (7) Directors, details as set out below. The Independent Directors are Mr Hong Pian Tee, Mr Francis Lee and Mr Goh Yeow Tin and they make up more than one-third of the Board.

REPORT ON CORPORATE GOVERNANCE

Director	Age	Board Membership	Date of Appointment as Director	Date of Last Re-Election as Director	AC	NC	RC
Hong Pian Tee	72	Chairman, Non-Executive and Independent	22 August 2013	29 April 2016	Member	-	Member
Dr. Ong (1)(4)(5)(6)	69	Executive, Chief Executive Officer ("**CEO**")	3 January 2012	Not applicable	-	Member	-
Simon Ong (4)(5)(6)	52	Executive	1 October 2012	29 April 2016	-	-	-
Raymond Ong (2)(4)(5)(6)	50	Non-Executive and Non-Independent	1 October 2012	29 April 2015	-	-	-
Ong Bee Pheng (4)(5)(6)	41	Non-Executive and Non-Independent	1 October 2012	29 April 2015	-	-	-
Francis Lee	51	Non-Executive and Independent	22 August 2013	29 April 2016	Chairman	Member	Member
Goh Yeow Tin (3)	66	Non-Executive and Independent	22 August 2013	30 April 2014	Member	Chairman	Chairman

Notes:

(1) Dr. Ong, as CEO, is not subject to rotation as provided for in the Constitution of the Company.

(2) Mr Raymond Ong will retire pursuant to Article 88 of the Constitution of the Company and is subject to re-election as a Director at the forthcoming AGM of the Company to be held on 26 April 2017.

(3) Mr Goh Yeow Tin will retire pursuant to Article 88 of the Constitution of the Company and is subject to re-election as a Director at the forthcoming AGM of the Company to be held on 26 April 2017.

(4) Mr Simon Ong is the nephew of Dr. Ong, the brother of Mr Raymond Ong and Ms Ong Bee Kuan Melissa, a substantial shareholder of the Company, and cousin of Ms Ong Bee Pheng.

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

(6) Ms Ong Bee Pheng is the daughter of Dr. Ong, the cousin of Mr Simon Ong, Mr Raymond Ong and Ms Ong Bee Kuan Melissa, a substantial shareholder of the Company, and the spouse of Mr Jaime Chiew Chi Loong, the Chief Risk Officer of the Company.

Details of the Directors' qualifications and experiences are set out on pages 11 and 12 of this Annual Report. Details of the Directors' shareholdings in the Company and its related corporations are set out on page 39 of this Annual Report.

The Board, based on the views of the NC, determines on an annual basis whether or not a Director is independent, taking into account the guidelines provided under the Code and other relevant circumstances and facts.

The Board has sought and obtained written confirmation from each of the Independent Directors that, apart from their office as Directors, 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 and objective judgment with a view to the best interests of the Company.

The NC has assessed the independence of each Independent Director and considered that Mr Hong Pian Tee, Mr Francis Lee and Mr Goh Yeow Tin to be independent. Each member of the NC has abstained from deliberations in respect of the assessment of his own independence. During FY2016, none of the Independent Directors have served beyond nine (9) years from their respective date of first appointment.

REPORT ON CORPORATE GOVERNANCE

The Board has reviewed the size and composition of the Board and is of the opinion that its current size and composition is appropriate for effective decision making, after 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. Each Director has been appointed on the strength of his/her skills, knowledge and experience and is expected to contribute to the development of the Group's strategy and the performance of its business. The Board includes one (1) female Director in recognition of the importance and value of gender diversity.

All Directors have equal responsibilities for the Group's operations. The role of the Non-Executive Directors is important in ensuring that all strategies and objectives proposed by the Management are fully discussed and examined, and take into account not only the long-term interests of the shareholders, but also all other stakeholders. 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.

Where necessary or appropriate, the Independent Directors may meet separately without the presence of Management. The other two (2) Non-Executive Directors would recuse themselves during such meetings given their 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.

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles of the Chairman and CEO of the Company are separate. Mr Hong Pian Tee is the Chairman of the Board and is an independent non-executive Director and Dr. Ong is the CEO. The Chairman and the CEO are not related.

The Chairman provides overall leadership to the Board, and 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. 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 and ensures effective communication with shareholders. He also encourages constructive relations within the Board and between the Board and Management. He provides clear oversight, advice and guidance to the Management on strategies and business operations.

The CEO has the executive responsibility over the business directions and operational decisions of the Group and is responsible for implementing the Group's strategies and policies.

Board Membership

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

The NC comprises three (3) Directors, of which two (2), including the Chairman, are non-executive and independent. The composition of the NC is as follows:

- Mr Goh Yeow Tin (Chairman, Non-Executive and Independent Director)
- Mr Francis Lee (Member, Non-Executive and Independent Director)
- Dr. Ong (Member, CEO and Executive Director)

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the chairman of the NC. During FY2016, the NC held one (1) scheduled meeting, which all members attended.

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

- Reviewing board succession plans for Directors, in particular, the Non-Executive Chairman and the CEO and Executive Director;
- Developing a process for evaluation of the performance of the Board, the Board Committees and Directors;

REPORT ON CORPORATE GOVERNANCE

- Reviewing the training and professional development programs for the Board;
- Reviewing and sighting of all resignation and authorisation letters of the Legal Representatives of Sichuan Mianzhu Norwest Phosphate Chemical Company Limited ("**Mianzhu Norwest**") and the Group's other subsidiaries in the People's Republic of China (the "**PRC**") which have been signed and held in custody by the Company Secretary;
- Appointing and re-appointing Directors (including alternate Directors, if applicable);
- Determining 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, determining 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, reviewing and concluding that the individual would similarly qualify as an Independent Director, before his appointment as an alternate Director; and
  a) a Director who is not an Independent Director, ensuring that the alternate Director is familiar with the affairs of the Company and appropriately qualified;
- Reviewing and approving any new employment of related persons and the proposed terms of their employment;
- Deciding how the Board's performance is to be evaluated and proposing 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;
- Assessing the effectiveness of the Board as a whole and its committees and assessing the contribution by the Chairman of the Board and each individual Director to the effectiveness of the Board and implementing performance evaluation established and approved by the Board;
- Implementing a process for assessing the effectiveness of the Board as a whole and its Committees and assessing the contribution by the Chairman of the Board and each individual Director to the effectiveness of the Board;
- Assessing 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);
- Reviewing and making 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;
- Establishing 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
- Engaging external search consultants to search for new Directors, if necessary.

At each AGM of the Company, the Constitution 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 Raymond Ong and Mr Goh Yeow Tin are the two (2) 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 contribution, has recommended these two (2) retiring Directors for re-election at the forthcoming AGM. Subject to being duly re-elected at the forthcoming AGM, Mr Raymond Ong will remain as a Non-Executive Director of the Company and Mr Goh Yeow Tin will remain as a Non-Executive and Independent Director, the Chairman of the NC and RC and a member of AC.

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 balance and diversity of background, qualifications, experience, gender and knowledge that the candidate brings, having regard to the skills required and the skills represented by 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,

REPORT ON CORPORATE GOVERNANCE

participation and candour), if applicable, as an Independent Director. The search for a suitable candidate could be drawn from contacts and network of existing Directors or external recommendations. 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. All newly appointed Directors who are appointed by the Board are required to retire and subject to election by shareholders at an AGM of the Company at the first opportunity after their appointment.

The NC considered, and is of the opinion, that the multiple board representations held by the Directors do not impede their performance in carrying out their duties to the Company. For FY2016, the Board did not set any cap on the number of directorships given that all Non-Executive or Independent Directors were able to dedicate their time to the business of the Company. The NC believes that each individual Director is best placed to determine and ensure that he/she is able to devote sufficient time and attention to discharge his/her duties and responsibilities as a Director, bearing in mind his/her other commitments. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future.

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

(a) Pages 11 to 12 – 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 (3) 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 39 – 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 its 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 performance evaluation includes preparedness, intensity of participation and candour at meetings and the Director's accessibility to Management for guidance or exchange of views outside the formal environment of the meetings. The NC and the Board strive to ensure that each Director, with his/her contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. Contributions by a Director can also take other forms, including providing objective perspective on issues, facilitating business opportunities and strategic relationships.

The NC has in place an annual performance evaluation process for assessing the effectiveness of the Board as a whole and its Committees. The Company Secretary will collate the evaluations and provide the summary observations to the Chairman of the NC. The NC would then discuss the evaluations and conclude the performance results during the NC meeting. The NC reviews the feedback and recommends the steps which need to be taken to strengthen the Board's stewardship. The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any criteria to be changed, the NC will justify such changes.

The NC had, at a meeting held in February 2017, assessed the performance of the Board and its Committees. The Board and its Committee assessments utilise a confidential questionnaire, covering areas such as Board's composition, Board's processes in managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective Committees. The assessment of the individual Directors is based on attendance and contributions during scheduled and ad-hoc Board and Committee meetings, as well as commitment to their role as Directors. In assessing the contributions of each Director, the NC also takes into consideration the in-depth knowledge and insights shared by each Director during discussions and meetings, in their respective areas of expertise in the fields of chemical engineering, business and management, accounting and finance, actuarial and compliance.

The NC, in consultation with the Chairman, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and its Committees have operated effectively and each Director has contributed to the overall effectiveness of the Board in FY2016. No external facilitator was used in the evaluation process.

REPORT ON CORPORATE GOVERNANCE

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 meetings.

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.

Board papers are distributed in advance of the Board and Committees meetings so that Directors would have sufficient time to understand the matters which are to be discussed. Copies of disclosure documents, budgets, forecasts, together with explanations for any material variances between the projections and actual results in respect of the Group's financial performance would be tabled by Management to the Board for review and discussion. Directors may also liaise directly with Management to seek additional information.

The Directors also have separate and independent access to the Company Secretary who attends all Board and Committees' meetings. The role of the Company Secretary is 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 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 RC comprises entirely of non-executive directors, all of whom are independent. The composition of the RC is as follows:

- Mr Goh Yeow Tin (Chairman, Non-Executive and Independent Director)
- Mr Hong Pian Tee (Member, Non-Executive Chairman and Independent Director)
- Mr Francis Lee (Member, Non-Executive and Independent Director)

During FY2016, there were two (2) RC meetings held which all members attended.

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

- Reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel of the Company, and reviewing and recommending 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;
- Submitting 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 RC;

REPORT ON CORPORATE GOVERNANCE

- Seeking expert advice inside and/or outside the Company on remuneration of all Directors, and ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;
- Determining 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;
- Administering and approving 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
- Considering the implementation of 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.

No member of the RC is involved in setting his own remuneration package. As and when deemed appropriate by the RC, independent expert advice is, or will be, sought at the Company's expense. In FY2016, the Board engaged an independent external consultant, Towers Watson Singapore Pte Ltd, ("**Towers Watson**") to review the compensation for the Company's two (2) Executive Directors and two (2) of its key executives. Save for this engagement, the Company does not have any other existing relationships with Towers Watson which will affect its independence and objectivity in carrying out this engagement. The Group has taken into consideration the findings set out in Towers Watson's report, particularly the median level of remuneration as set out in the report, and intends to adjust the remuneration for its Executive Directors and key executives as and when the performance and cash flows of the Group improve.

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

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 Non-Executive Directors receive directors' fees after taking 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.

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.

For the Executive Directors and a key executive, 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. Upon expiry of the initial three (3) years, unless either party notifies the other in writing at least six (6) months prior to the last day of the existing period, the service agreements for the Executive Directors and a key executive shall automatically be renewed for a further period of three (3) years on the same terms and conditions.

These service agreements cover the terms of employment and the salaries and bonuses of the Executive Directors and the 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, becomes bankrupt or otherwise acts to the Company's prejudice. The service agreements allow the Company to reclaim incentive components from them in exceptional circumstances of misstatements of financial results, or of misconduct resulting in financial loss to the Group. Directors' fees do not form part of the terms of these service agreements of the Executive Directors. There is no amount of termination, retirement or post-employment benefits that may be granted to the Executive Directors and key executive.

Pursuant to the terms of the service agreement with our Executive Directors and the key executive, each of them is entitled to a basic monthly salary, an annual wage supplement of one (1) month's salary and an annual incentive bonus based on the Group's profit before tax.

REPORT ON CORPORATE GOVERNANCE

The said service agreements were renewed for a period of three (3) years with effect from 7 October 2016 upon expiry on similiar terms and conditions, save that the basis in computing the Group's profit before tax for determining the annual incentive bonus was clarified in the renewed service agreements to be profits in the ordinary course of business and excluding fair value gains and losses unless they are realised.

The Group considers profits to be the main condition for the determination of payment of incentives to management as this will align performance to shareholders' 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. The Group intends to award shares pursuant to the AsiaPhos Performance Share Plan, further details of which are set out herein, so that employees' interest to that of the Group can be better aligned.

In FY2016, the Group recorded losses before tax of approximately S$1.93 million. Accordingly, no incentive bonus was accrued to the Executive Directors and the 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 FY2016, the RC reviewed the compensation and remuneration packages and believes that the Directors and Management are sufficiently compensated.

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.

The breakdown (rounded to nearest thousands of dollar) of the remuneration of Directors for FY2016 is set out below:

	Salary and allowance (SS$'000)	Annual Wage Supplement (SS$'000)	Directors' fees (SS$'000)	Total (SS$'000)
Hong Pian Tee	-	-	60	60
Dr. Ong(1)	145	13	62(4)	220
Simon Ong(1)(2)(3)	255	14	62(4)	331
Francis Lee	-	-	60	60
Goh Yeow Tin	-	-	60	60
Raymond Ong(1)(2)	-	-	30	30
Ong Bee Pheng(1)(2)	-	-	30	30

Notes:

(1) Our CEO and Executive Director, Dr. Ong is the father of our Non-Executive Director, Ms Ong Bee Pheng and the uncle of our Executive Director, Mr Simon Ong, and Non-Executive Director, Mr Raymond Ong.

(2) Our Executive Director, Mr Simon Ong, and Non-Executive Director, Mr Raymond Ong, are siblings. They are also cousins of our Non-Executive Director, Ms Ong Bee Pheng and nephews of Dr. Ong.

(3) The increase in the salary and allowance for our Executive Director, Mr Simon Ong, in FY2016 as compared to FY2015 was due to his relocation to PRC, and his aggregate remuneration in FY2016 was in line with the median level of remuneration set out in the compensation review report prepared by Towers Watson.

(4) The Directors' fees payable to Dr. Ong and Mr. Simon Ong are in relation to their directorship at Mianzhu Norwest, a wholly-owned subsidiary of the Company, and will not be subject to approval by the shareholders of the Company at the forthcoming AGM.

REPORT ON CORPORATE GOVERNANCE

The breakdown (in percentage terms) of the remuneration of five (5) top key executives of the Group (who are not Directors or CEO) for FY2016 is set out below:

Below S$250,000	Designation, Name of Entity	Salary and allowance (%)	Annual Wage Supplement (%)	Total (%)
Wang Xuebo	General Manager, Mianzhu Norwest	92.6	7.4	100.0
Luo Guangming	Mining Manager, Mianzhu Norwest	69.3	30.7	100.0
Jaime Chiew Chi Loong [(1)]	Chief Risk Officer, Company	93.1	6.9	100.0
Chia Chin Hau	Manager, Special Projects, Company	92.0	8.0	100.0
Rachel Goh	Group Financial Controller, Company	91.8	8.2	100.0

Note:

(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 our CEO and Executive Director, Dr. Ong. Mr Jaime Chiew Chi Loong's annual remuneration for FY2016 was between S$150,000 and S$200,000.

Given the highly competitive conditions of the business environment and the sensitive nature of the subject, 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 S$250,000 and also a breakdown in percentage terms.

In aggregate, the total remuneration paid to the five (5) top key executives was S$781,000 in FY2016.

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

For FY2016, the salary of Ms Ong Bee Kuan Melissa, the Company's Human Resource and Administrative manager, a substantial shareholder of the Company, niece of Dr. Ong, sister of Mr Simon Ong and Mr Raymond Ong and cousin of Ms Ong Bee Pheng, was between S$50,000 and S$100,000.

Save as disclosed, there was no family relationship between any of our Directors and/or key executives, or between any of our Directors and key executives and there was also no employee who is an immediate family member of a Director or CEO, and whose remuneration exceeded S$50,000 during FY2016.

SHARE OPTIONS SCHEME AND PERFORMANCE SHARE SCHEME

The Company had adopted a performance share plan known as the "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 in the Report of the Directors on pages 39 to 41 of this Annual Report.

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 the 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 awards have been granted to any participant under the Share Plan since adoption and during FY2016.

REPORT ON CORPORATE GOVERNANCE

(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). The Management provides the Non-Executive Directors with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates on a quarterly basis, and as and when the Board may require from time to time. All Directors are provided with updates by the Executive Directors for any material transactions or matters that may need their immediate attention. The Non-Executive Directors are welcome to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management.

The AC reports to the Board on the financial performance for review and approval. The Board reviews and approves the financial results as well as any announcements before its release. Price sensitive information will be publicly released before the Company meets with any group of shareholders, investors or research analysts. Financial results and annual reports are announced and issued within the statutory prescribed periods. 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 and on its website at http://www.asiaphos.com.

Through the advice rendered by the professionals and the Sponsor, the Board has, 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 professionals to update the Board.

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 material capital expenditure and investments.

The AC, on behalf of the Board, reviews the Group's system of internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by Management annually. This ensures that such system is sound, adequate and effective to provide reasonable assurance 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 set out appropriate mitigating actions and monitoring mechanisms to respond to these risks. The Management will highlight all significant matters to the AC and Board. The Board is ultimately responsible for the governance of risk and exercises oversight in risk management strategy and framework. The Risk Management Report can be found on page 35 of this Annual Report.

The Group's financial risk management objectives and policies are discussed further in note 35 to the financial statements. For FY2016, 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 Group's operations and finances; and (ii) the Group's risk management and internal control systems are effective.

Based on the review, work done by the internal auditors (see Principle 13) and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance, information technology controls, risk management systems or significant business risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2016.

REPORT ON CORPORATE GOVERNANCE

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.

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 AC comprises three (3) members, all of whom are non-executive, independent directors. The members of the AC are:

- Mr Francis Lee (Chairman, Independent Director)
- Mr Hong Pian Tee (Member, Non-Executive Chairman and Independent Director)
- Mr Goh Yeow Tin (Member, Independent Director)

The AC meets at least four (4) times a year. Additional meetings are scheduled if considered necessary by the chairman of the AC. During FY2016, the AC held four (4) scheduled meetings, which all members attended.

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;
- Reviewing and reporting to the Board annually 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 Group'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 reviewing 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 Constitution or under section 205 of the Companies Act), reviewing their appointment or re-appointment as well as matters relating to their remuneration, resignation or dismissal or terms of engagement.

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 has direct access to the internal and external auditors and has met up with the external auditors and internal auditors during FY2016 without the presence of Management to discuss any matters arising from the financial reporting process and systems of internal controls. 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 FY2016, the AC reviewed the planned audit procedures and the potential key audit areas as presented by the external auditors, Ernst & Young LLP ("**EY**"). At the AC meeting held in February 2017, the AC had received the report on FY2016 audit results from EY, which summarised the audit work done for the key audit areas. In particular, the following key audit matters were discussed during the meeting:

REPORT ON CORPORATE GOVERNANCE

Key audit matters	How the AC reviewed these matters and what decisions were made
Assessment of potential impairment of goodwill, mine properties and property, plant and equipment	The external auditor has included these items as key audit matters in its audit report for FY2016.
Going concern assumption	The AC discussed the audit procedures with EY, has reviewed the audit report and accepted the conclusions.

During FY2016, the Group paid S$23,000 to EY and its member firms for their roles as tax advisors. The AC is of the opinion that the non-audit services provided by EY during FY2016 did not prejudice their independence and objectivity. The external auditors have also provided confirmation of their independence to the AC. A breakdown of the fees paid to EY and its member firms for audit and non-audit services provided to the Group during FY2016 are as follows:

Service Category Fees	EY entities in Singapore SS$'000	Overseas EY entities SS$'000
Audit Services	111	111
Non-Audit Services	23	-
Total	134	111

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, and of appropriate standing with international affiliation. They have reviewed and are satisfied that the appointment of EY as the Company's external auditors would not compromise the standard and effectiveness of the audit of the Group 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 chairman of the AC 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. No whistle blowing reports were received in FY2016.

For FY2016, 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 Chairman of the AC is a Chartered Accountant and non-practising member of the Institute of Singapore Chartered Accountants.

In FY2016, the AC was provided with information on accounting and regulatory updates, including Financial Reporting Standards, Catalist Rules, the Companies Act as well as other updates issued by the SGX-ST and the Monetary Authority of Singapore, where applicable.

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 FY2016, 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;

REPORT ON CORPORATE GOVERNANCE

- 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 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 to the AC. The IA has an administrative reporting function to Management where 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. 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 direct access to the AC.

The AC reviews annually the adequacy and effectiveness of the internal audit function.

(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 ensures 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 http://www.asiaphos.com. Where possible, the Company holds quarterly briefings on its results announcements after the results announcement are published *via* SGXNET. The Company, from time to time, participates in investors' seminars and briefings organised by external organisations. The Company publishes the presentation slides used during the seminars and briefings on SGXNET and on its website at http://www.asiaphos.com. The Group has also engaged an external investor relations firm to assist in its investor communications and press releases.

The shareholders are informed of general meetings through notices enclosed together with the annual reports or circulars sent to all shareholders. Notices of general meetings to shareholders are issued at least fourteen (14) days (or as required) before the scheduled date of such meetings. These notices are also posted onto the SGXNET, on the Company's website at http://www.asiaphos.com and published in the press.

At the forthcoming AGM of the Company, shareholders will be given the opportunity to air their views and to ask the Directors and Management questions regarding the Group and its business. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders. 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.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Catalist Rule 730A(2), all resolutions will be put to vote by way of a poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced *via* SGXNET and posted on the Company's website at http://www.asiaphos.com after the conclusion of the general meeting. The voting procedures are also explained to all the shareholders during the general meetings. Under the Constitution of the Company, abstentia voting at general meetings of shareholders is not allowed as authentication of shareholder identity information and other related security issues remains a concern. However, a shareholder, who is not a Relevant Intermediary (as defined in section 181(6) of the Companies Act) may vote in person or appoint not more than two (2) proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a Relevant Intermediary, may appoint more than two (2) proxies to attend, speak and vote at the AGM of the Company.

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. There was no dividend recommended in respect of FY2016 as the Group had incurred net losses for the year.

(E) DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which is in compliance with Rule 1204(19) of the Catalist Rules and 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.

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, while in possession of unpublished price-sensitive information and prohibits trading in the following periods:

(i) The period commencing two (2) 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 (1) 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 ("IPTs")

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

In FY2016, the Group issued 5,725,000 redeemable preference shares (the "**2016 RPS**") to (i) two (2) external investors, (ii) Dr. Ong and (iii) a controlling shareholder of the Company, Astute Ventures Pte. Ltd. ("**Astute Ventures**"). Two (2) of the Company's Directors, Mr Simon Ong and Mr Raymond Ong, each holds no less than 20.0% equity interest in Astute Ventures. In FY2016, interest expense relating to the 2016 RPS paid and payable to Dr. Ong and Astute Ventures amounted to S$306,000. The 2016 RPS were fully redeemed on 24 March 2017.

REPORT ON CORPORATE GOVERNANCE

During the second quarter ended 30 June 2016, the Company obtained an interest-free loan of S$400,000 from Dr. Ong for the Group's general working capital purposes. As at 31 December 2016, the said loan was fully repaid to Dr. Ong.

The Company had announced on 22 December 2016 that it had entered into a shareholder's loan agreement with Dr. Ong, in relation to the provision a loan of S$1,000,000 to the Company (the "**Dr. Ong Loan**"). The Dr. Ong Loan is granted on an interest-free and unsecured basis. Unless otherwise agreed in writing, the Loan shall automatically become due and payable in full upon the date falling six (6) calendar months from 22 December 2016. As at the date of this report, the Dr. Ong Loan has been fully repaid.

Other than the above interested person transactions, there were no other IPTs in FY2016.

The Company did not obtain any general mandate from shareholders for IPTs.

(G) USE OF PROCEEDS

As of the date of this report, the utilisation of the net proceeds raised from the Company's initial public offering is set out below:

Use of proceeds	Amount allocated (as stated in Offer Document) S$'000	Amount utilised as at the date of this report S$'000	Balance of net proceeds as at the date of this report S$'000
Development and expansion of the Mining Operations	8,500	(2,969)	5,531
Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme	11,499	(8,498)	3,001
Working capital	1,553	(9,093) (1)	(7,540)
Net proceeds	**21,552**	**(20,560)**	**992**

Note:

(1) Out of the S$9.1 million utilised as working capital an amount of approximately S$0.2 million was in relation to the listing expenses incurred in addition to the estimated expenses of S$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 has utilised S$8.9 million from the IPO proceeds for working capital to fund (i) the purchases of materials 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 received the land use certificate for Phase 2 land and is relooking at the resumption of the Phase 2 Rebuilding Programme.

On 30 December 2016, the Company announced a proposed renounceable non-underwritten rights issue (the "**Rights cum Warrants Issue**") of up to 112,664,875 new ordinary shares (the "**Rights Shares**") in the capital of the Company with up to 112,664,875 free detachable and transferable warrants (the "**Warrants**") on the basis of one (1) Rights Share with one (1) Warrant for every eight (8) existing ordinary shares in the capital of the Company ("**Shares**"), fractional entitlements, if any, to be disregarded. The Rights cum Warrants Issue was completed on 24 March 2017.

REPORT ON CORPORATE GOVERNANCE

As at the date of this report, the utilisation of the net proceeds raised from the Rights cum Warrants Issue is set out below:

Use of proceeds	Amount allocated (S$'000)	Amount utilised as at the date of this report (S$'000)	Balance of net proceeds as at the date of this report (S$'000)
Proposed Redemption	5,725	(5,725)	-
Repayment of the Dr. Ong Loan	1,000	(1,000)	-
Working capital	1,987	(295)	1,692
Net proceeds	**8,712**	**(7,020)**	**1,692**

The above utilisation of the net proceeds from the Rights cum Warrants Issue is consistent with the intended uses as disclosed in the Company's offer information statement dated 1 March 2017 in relation to the Rights cum Warrants Issue.

(H) MATERIAL CONTRACTS

As mentioned in paragraph (F) above, pursuant to the Shareholder's Loan Agreement, Dr. Ong has extended a loan of S$1,000,000 to the Company, which is interest-free, unsecured and for a duration of six (6) months.

In connection with the Rights cum Warrants Issue, Dr. Ong had entered into a deed of undertaking in favour of the Company and Norwest Chemicals Pte. Ltd. ("**NWC**"), a wholly-owned subsidiary of the Company, pursuant to which he has unconditionally and irrevocably undertaken that he will, *inter alia*:

(a) subscribe for, by way of acceptance, an aggregate of 35,258,903 Rights Shares with Warrants to be provisionally allotted to Dr. Ong, Fica (Pte.) Ltd, and Dr. Ong's family members, namely, his spouse, Mdm Kong Sou Hui Grace, and his children, Ms Ong Bee Pheng and Mr Ong Eng Keong on the basis of their respective shareholdings in the Company; and

(b) subscribe for up to 30,834,847 Rights Shares with Warrants which are not taken up by the other entitled shareholders of the Rights cum Warrants Issue or their renouncees by way of excess application (subject to availability).

In addition, pursuant to the Rights with Warrants Issue, Astute Ventures had entered into a deed of undertaking in favour of the Company and NWC pursuant to which it has unconditionally and irrevocably undertaken that it will subscribe for 25,000,000 Rights Shares with Warrants.

Save as disclosed in this report, there are no material contract entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholders of the Company either still subsisting as at the end of FY2016 or if not subsisting, was entered into since 31 December 2016.

(I) NON-SPONSOR FEES

No fees relating to non-sponsorship activities or services were paid to the Company's sponsor, United Overseas Bank Limited ("**Sponsor**"), during FY2016. The Sponsor was appointed as the manager of the Rights cum Warrants Issue and fees to be paid to the Sponsor in connection with the Rights cum Warrants Issue will be paid to them in the financial year ending 31 December 2017.

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.

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.

The work undertaken by the IA is 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.

The 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 discussion on the Group's financial risk management objectives and policies, they can be found in note 35 to the financial statements.

In FY2016, the Group performed a review of the operational/safety controls relating to its upstream mining and downstream chemical operations.

For the upstream mining operations, discussions were held with independent geologists as part of the Group's annual technical review preparations, and with other consultants as part of the Group's feasibility study and application to convert one of the Group's exploration licences into an expanded mining licence. We continue to implement safety enhancements, in-line with the conversion application/ potential increase in approved production scale being sought from the authorities. These improvements were also mentioned by the independent geologists, WGM, in their Technical Report dated 9 March 2016:

"The progress on ground control and transportation system is well noted. WGM also observed ramps and manways that connect levels. These developments allow personnel and equipment to access all level from underground and avoid exposure to hazardous environment, such as steep slopes and falling rocks along the mountain side. This is considered as a major improvement since the last visit.

Also observed at Mine 1 are the improved ground control measures. The portal was reinforced with solid concrete structure; the fractured areas were supported with rock bolts, mesh screen, steel arches with timber filling, and shotcrete. The quality of the ground support installation is above standard."

RISK STATEMENT

Following the accident at the Group's P_4 production plant (the "**Plant**") in October 2016, the Group has engaged a third-party technical expert to review the Plant's operations and recommend corrective actions. To prevent the occurrence of similar incidents in the future, the Group has duly implemented some of the operational process improvements and risk mitigation measures (such as improved maintenance procedures) as recommended by the PRC authorities and the technical expert (with the other recommendations to be implemented during the seasonal downtime). The Group has also enhanced its safety training and monitoring procedures in relation to its P_4 production operations, with additional modifications and technical/design-related improvements to the Plant to be made during the seasonal downtime.

In preparation for the annual sustainability report that the Group will be preparing with effect from the financial year ending 31 December 2017 and the enhanced environmental laws and monitoring requirements, the Group has arranged for its employees to attend the relevant training and reviewed existing sustainability reporting against the relevant benchmarks.–Third-party experts were also engaged to complete environmental impact assessment for the Group's upstream mining and downstream chemical operations and to provide assurance that our operations remain compliant with the relevant authorities' requirements.

Based on the review, work done by the IA (see Principle 13) and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance, information technology risk, risk management systems or significant business risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2016.

CONTENTS PAGE

DIRECTORS' STATEMENT

The directors hereby present their statement 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 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, subject to the generation of positive cash flow from the Group's operations, rollover its existing loans as well as the proceeds from the Rights cum Warrants Issue, as set out in Note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement 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

In accordance with Article 88 of the Company's Constitution, Ong Eng Siew Raymond and Goh Yeow Tin retire, and being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, 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' STATEMENT (CONT'D)

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 (other than wholly-owned subsidiaries) 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	806,000	1,106,000	–	–
Ong Hian Eng	6,675,384	8,021,684	215,233,492	215,233,492
Ong Eng Hock Simon	2,919,306	2,919,306	245,025,455	245,025,455
Ong Eng Siew Raymond	2,919,306	2,919,306	246,374,186	246,374,186
Ong Bee Pheng	29,408,037	29,408,037	–	–
Francis Lee Fook Wah	–	100,000	–	–

There is no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

By virtue of Section 7 of the Singapore Companies Act, Cap.50, Hong Pian Tee, Ong Hian Eng, Ong Eng Hock Simon, Ong Eng Siew Raymond, Ong Bee Pheng and Francis Lee Fook Wah 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.

ASIAPHOS PERFORMANCE SHARE PLAN (THE "SHARE PLAN")

The Share Plan of the Company was approved at an Extraordinary General Meeting held on 22 August 2013. 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

DIRECTORS' STATEMENT (CONT'D)

ASIAPHOS PERFORMANCE SHARE PLAN (THE "SHARE PLAN") (CONT'D)

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 Executive 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.

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 the 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.

DIRECTORS' STATEMENT (CONT'D)

ASIAPHOS PERFORMANCE SHARE PLAN (THE "SHARE PLAN") (CONT'D)

Since the adoption of the Share Plan and for the financial year ended 31 December 2016, no share has been awarded to any participant under the Share Plan. No share has been awarded to any participant, which, in aggregate, represent five per cent (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.

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, at least 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

31 March 2017

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2016

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Asiaphos Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements which discloses the conditions that indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. As disclosed further in Note 2, the ability of the Group and the Company to continue as going concerns depends on the Group's ability to continue to generate positive cash flows from its operations and rollover its existing loans to enable them to meet their liabilities as and when they fall due.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded on the Group and the Company's balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

For the financial year ended 31 December 2016

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Areas of focus	How our audit addressed the matter
Impairment of goodwill The Group recorded goodwill of S$12.2m as at 31 December 2016. This goodwill represented the excess of purchase consideration over the fair value of the net identifiable assets and liabilities of LY Resources Group acquired in 2015. The Group is required to perform annual impairment assessment on cash generating units (CGUs) to which goodwill has been allocated to. The impairment assessment on goodwill was significant to our audit because the assessment process involved significant management judgement and is based on assumptions that are affected by expected future market and economic conditions. As disclosed in Note 16, the Group determined the recoverable amounts of the CGUs using the value-in-use (VIU) method. Certain assumptions and estimates had to be made in the preparation of cash flow projections which were approved by management. Based on the outcome of this impairment test, no impairment of goodwill was recognised for the financial year ended 31 December 2016.	Our audit procedures focused on the assessment of key assumptions and estimates supporting the VIU calculation of the CGUs. We assessed the reasonableness of the key assumptions and estimates used, such as discount rates, budgeted revenue, budgeted costs and long-term growth rate, by comparing them to external data such as market value of inventories and mineral resources and reserves per independent geologist report. Given the complexity involved, our internal valuation specialists assisted us in reviewing the reasonableness of the discount and long-term growth rates. The valuation specialists compared the discount rates applied to cost of capital of a selection of comparable organisations. The long-term growth rate was also compared to market data. Furthermore, we evaluated the robustness of management's budgeting process by comparing the actual results to previously forecasted results. In addition, we performed sensitivity analysis to ascertain the impact of reasonably possible changes in key assumptions to the recoverable amount of the CGUs. We also reviewed whether adequate disclosures with regards to the key assumptions and estimates have been properly disclosed in Note 16.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

For the financial year ended 31 December 2016

Areas of focus	How our audit addressed the matter
Impairment of mine properties and property, plant and equipment The Group recorded mine properties of S$65.1m and property, plant and equipment of S$38.6m as at 31 December 2016. As disclosed in Note 9 and 11, current year loss is a possible indicator that property, plant and equipment and mine properties could be impaired. As a result, the Group subjected the property, plant and equipment and mine properties to impairment test. This area was significant to our audit due to the size of the carrying amount of these assets (85% of the total non-current assets) as at 31 December 2016. In addition, in determining the recoverable amounts of the mine properties and property, plant and equipment using VIU method, management had to make certain assumptions and estimates in estimating the cash flow projections. These assumptions and estimates involved significant management judgement and are affected by expected future market and economic conditions. Based on the outcome of this impairment test, management has assessed that management has assessed that no impairment loss need to be recorded on mine properties and property, plant and equipment for the financial year ended 31 December 2016.	We reviewed management's process in the assessment of whether there is an indication that mine properties and property, plant and equipment may be impaired and their estimation of the recoverable amounts of these assets. We assessed the reasonableness of the key assumptions used, such as discount rates, budgeted revenue, budgeted cost and long-term growth rate by comparing them to external data such as market value of inventories and mineral resources and reserves per independent geologist report. Given the complexity involved, our internal valuation specialists assisted us in reviewing the reasonableness of the discount and long-term growth rates. The valuation specialists compared the discount rates applied to cost of capital of a selection of comparable organisations. The long-term growth rate was also compared to market data. Furthermore, we evaluated the robustness of management's budgeting process by comparing the actual results to previously forecasted results. We also reviewed whether adequate disclosures with regards to the key assumptions and estimates have been properly disclosed in Note 9 and 11.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR’S REPORT (CONT'D)

For the financial year ended 31 December 2016

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

For the financial year ended 31 December 2016

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yong Kok Keong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	2016 S$'000	2015 S$'000
Revenue	5	34,345	44,505
Cost of sales		(29,090)	(36,018)
Gross profit		5,255	8,487
Other income	6	337	6,378
Selling and distribution costs		(629)	(496)
General and administrative costs		(6,002)	(7,684)
Finance costs		(892)	(1,229)
Other expenses		–	(2,429)
(Loss)/profit before tax	7	(1,931)	3,027
Taxation	8	197	(818)
(Loss)/profit for the year		(1,734)	2,209
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		(2,015)	447
Total comprehensive income for the year		(3,749)	2,656
(Loss)/profit for the year attributable to:			
Owners of the Company		(1,734)	2,209
Non-controlling interest		–	–
		(1,734)	2,209
Total comprehensive income for the year attributable to:			
Owners of the Company		(3,749)	2,656
Non-controlling interest		–	–
		(3,749)	2,656
(Loss)/earnings per share (cents)			
Basic and diluted	32	(0.19)	0.26

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016 S$'000	Group 2015 S$'000 (Restated)	Company 2016 S$'000	Company 2015 S$'000
Non-current assets					
Mine properties	9	65,133	65,882	–	–
Land use rights	10	4,535	4,845	–	–
Property, plant and equipment	11	38,619	39,898	–	–
Prepayments	13	691	587	–	–
Other receivables	14	285	297	–	–
Intangible asset	15	–	57	–	–
Goodwill	16	12,249	12,249	–	–
Deferred tax assets	28	64	–	–	–
Investment in subsidiaries	17	–	–	72,311	59,022
		121,576	123,815	72,311	59,022
Current assets					
Stocks	18	7,941	2,728	–	–
Trade receivables	19	3,975	4,422	–	–
Prepayments	13	1,108	1,063	38	143
Other receivables	14	601	481	57	40
Amounts due from subsidiaries	20	–	–	4,038	17,183
Cash and bank balances	21	2,588	4,301	1,027	1,018
		16,213	12,995	5,160	18,384
Total assets		137,789	136,810	77,471	77,406
Current liabilities					
Bank overdraft (secured)	21	392	16	392	16
Trade payables	22	6,022	4,377	–	–
Other payables	23	5,569	6,848	145	377
Advances from customers		455	247	–	–
Interest-bearing bank loans	24	7,086	–	–	–
Redeemable preference shares	25	–	8,050	–	–
Loan due to a director	26	1,000	–	1,000	–
Deferred income	27	35	–	–	–
Provision for taxation		556	1,062	–	–
Amounts due to subsidiaries	20	–	–	1,239	–
		21,115	20,600	2,776	393
Net current (liabilities)/assets		(4,902)	(7,605)	2,384	17,991
Non-current liabilities					
Redeemable preference shares	25	5,725	–	–	–
Deferred income	27	2,202	2,407	–	–
Deferred tax liabilities	28	17,506	17,905	–	–
Provision for rehabilitation	29	170	177	–	–
		25,603	20,489	–	–
Total liabilities		46,718	41,089	2,776	393
Net assets		91,071	95,721	74,695	77,013

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016 S$'000	Group 2015 S$'000 (Restated)	Company 2016 S$'000	Company 2015 S$'000
Equity attributable to owners of the Company					
Share capital	30	68,151	68,151	68,151	68,151
Reserves	31	13,457	18,107	6,544	8,862
		81,608	86,258	74,695	77,013
Non-controlling interest		9,463	9,463	–	–
Total equity		91,071	95,721	74,695	77,013

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Share capital S$'000	Merger reserve S$'000	Retained earnings S$'000	Foreign currency translation reserve S$'000	Safety fund surplus reserve S$'000	Total reserves S$'000	Non-controlling interest S$'000	Total equity S$'000
At 1 January 2016 (Restated)	68,151	850	12,627	4,249	381	18,107	9,463	95,721
Loss for the year, net of tax	–	–	(1,734)	–	–	(1,734)	–	(1,734)
Other comprehensive income								
Foreign currency translation	–	–	–	(2,015)	–	(2,015)	–	(2,015)
Total comprehensive income for the year	–	–	(1,734)	(2,015)	–	(3,749)	–	(3,749)
Contributions by and distributions to owners								
Dividends paid (Note 40)	–	–	(901)	–	–	(901)	–	(901)
Others								
Transfer to safety fund surplus reserve	–	–	(728)	–	728	–	–	–
Utilisation of safety fund surplus reserve	–	–	253	–	(253)	–	–	–
At 31 December 2016	68,151	850	9,517	2,234	856	13,457	9,463	91,071
At 1 January 2015	56,541	850	10,799	3,802	–	15,451	–	71,992
Profit for the year, net of tax	–	–	2,209	–	–	2,209	–	2,209
Other comprehensive income								
Foreign currency translation	–	–	–	447	–	447	–	447
Total comprehensive income for the year	–	–	2,209	447	–	2,656	–	2,656
Contributions by and distributions to owners								
Shares issued for acquisition of subsidiaries (Note 17 & 30)	11,652	–	–	–	–	–	–	11,652
Share issuance expenses (Note 17 and 30)	(42)	–	–	–	–	–	–	(42)
Acquisition of subsidiaries (Note 17)	–	–	–	–	–	–	9,463	9,463
	11,610	–	–	–	–	–	9,463	21,073
Others								
Transfer to safety fund surplus reserve	–	–	(474)	–	474	–	–	–
Utilisation of safety fund surplus reserve	–	–	93	–	(93)	–	–	–
At 31 December 2015 (Restated)	68,151	850	12,627	4,249	381	18,107	9,463	95,721

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 2016

Company	Share capital S$'000	Retained earnings S$'000	Total equity S$'000
At 1 January 2016	68,151	8,862	77,013
Loss for the year, representing total comprehensive income for the year	–	(1,417)	(1,417)
Contributions by and distributions to owners			
Dividends paid	–	(901)	(901)
At 31 December 2016	68,151	6,544	74,695
At 1 January 2015	56,541	8,480	65,021
Profit for the year, representing total comprehensive income for the year	–	382	382
Contributions by and distributions to owners			
Shares issued for acquisition of subsidiaries	11,652	–	11,652
Share issuance expenses	(42)	–	(42)
	11,610	–	11,610
At 31 December 2015	68,151	8,862	77,013

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 2016

	2016 S$'000	2015 S$'000
Cash flow from operating activities		
(Loss)/profit before tax	(1,931)	3,027
Adjustments for:		
Depreciation expense	3,351	3,265
Amortisation expense	939	304
Interest expense	820	1,101
Interest income	(13)	(1,093)
Net fair value gains on convertible loan note, call-and-put options and redeemable preference shares	–	(4,850)
Gain on disposal of property, plant and equipment	(1)	(26)
Unrealised exchange gain	(4)	41
Amortisation of deferred income	(122)	(78)
Termination of pre-existing contract	–	2,429
Operating profit before working capital changes	3,039	4,120
(Increase)/decrease in stocks	(5,321)	6,283
Decrease/(increase) in receivables	578	(1,876)
Increase in payables	1,115	539
Cash (used in)/generated from operations	(589)	9,066
Interest received	13	1,874
Interest paid	(1,353)	(962)
Tax paid	(703)	(436)
Net cash flows (used in)/generated from operating activities	(2,632)	9,542
Cash flow from investing activities		
Payment for property, plant and equipment [(a)]	(4,085)	(5,961)
Payments made in advance for property, plant and equipment [(a)]	(130)	–
Payments made for land use rights [(b)]	–	(123)
Proceeds from disposal of property, plant and equipment	1	101
Receipt of government grant	58	20
Net cash inflow on acquisition of subsidiaries	–	52
Net cash flows used in investing activities	(4,156)	(5,911)
Cash flow from financing activities		
Repayment of bank loans	–	(6,058)
Proceeds from bank loans	7,082	2,308
Proceeds from issue of redeemable preference shares	4,000	–
Redemption of redeemable preference shares	(6,325)	–
Increase in pledged deposits	(8)	(5)
Payments for share issuance expense	(32)	(10)
Dividends paid	(901)	–
Loan due to a director	1,000	–
Net cash flows generated from/(used in) financing activities	4,816	(3,765)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	2016 S$'000	2015 S$'000
Net decrease in cash and cash equivalents	(1,972)	(134)
Cash and cash equivalents at beginning of the year	3,098	3,211
Effects of exchange rate changes on cash and cash equivalents	(114)	21
Cash and cash equivalents at end of the year (Note 21)	1,012	3,098

Notes to the consolidated statement of cash flows

(a) Payment for property, plant and equipment

	2016 S$'000	2015 S$'000
Current year additions (Note 11)	3,795	5,372
Add/(less):		
Increase in prepayments related to property, plant and equipment	130	(96)
Decrease in payables related to property, plant and equipment	290	685
Net cash outflow for payment for property, plant and equipment	4,215	5,961

(b) Payment for land use rights

	2016 S$'000	2015 S$'000
Current year additions (Note 10)	–	3,208
Less:		
Decrease in prepayments related to land use rights	–	(3,085)
Net cash outflow for payment for land use rights	–	123

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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, #32-01 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 17 to the financial statements.

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

2. GOING CONCERN

The Group and the Company incurred a net loss after tax of $1,734,000 and $1,417,000 respectively in the financial year ended 31 December 2016 ("FY2016") compared to a net profit after tax of $2,209,000 and $382,000 respectively in the financial year ended 31 December 2015 ("FY2015"). In addition, the Group's current liabilities as at 31 December 2016 exceeded its current assets as at 31 December 2016 by $4,902,000 as compared to $7,605,000 as at 31 December 2015. The Group also incurred net cash outflows from operating activities of $2,632,000 (2015:net cash inflows of $9,542,000) in FY2016. The above factors may indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

In the opinion of the directors, the Group and the Company will be able to continue as going concerns for the following reasons:

(a) based on the current cash flow projections, the Group expects to generate net cash inflows from its operating activities in the next 12 months from the date of the financial statements; and

(b) discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due and to also extend new facilities to the Group. The Group had recently renewed facilities of $2,084,000 (RMB10 million) in January 2017. As at the date of this report, the Group has aggregate facilities of $5,002,000 (RMB24 million) which are due in June 2017 and July 2017. As the Group has in the past not defaulted on any of the loans extended to it, and barring unforeseen circumstances, the Directors expect that the Group will be able to obtain the requisite financing for the Group's operations.

(c) As disclosed in Note 42 "Events occurring after the reporting period" to the financial statements, the Group completed its Rights cum Warrants Issue exercise. After completing the redemption of Redeemable Preference Shares (Note 25) and repayment of loan due to a director (Note 26), the Company received net proceeds of $1,987,000 in March 2017.

As a result, the consolidated financial statements of the Group have been prepared on a going concern basis

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded on the Group and the Company's balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements..

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand (S$'000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

3.2 Changes in accounting policies

During the financial year, the Group changed its accounting method for amortisation of mine properties from straight-line method to unit-of-production ("UOP") method to better reflect the expected consumption pattern of the future economic benefits embodied in the mine properties. Under the UOP method, the Group's mine properties are amortised over the estimated proved and probable reserves and measured resources of the mines whereas under the straight-line method, the mine properties were depreciated evenly on a straight-line basis over the estimated useful lives.

The Group is of the view that the UOP method is a better reflection of the expected consumption pattern of the future economic benefits embodied in the mine properties. The UOP method is also the more appropriate and more commonly used method of amortisation in the mining industry. Based on the current mining plan, the estimated useful life of the mines are expected to be longer than the licensed life and the Group does not foresee any significant obstacle to renew the mining licenses as and when they expire. As such, using the UOP method in accordance with the production plans and the proved and probable reserves and measured resources of the mines is a better reflection of the expected consumption of future economic benefits. The change in amortisation policy was applied prospectively from 1 January 2016.

Under the UOP method, the Group recognised amortisation expense relating to mine properties of $789,000 in FY2016. The effect of the change in amortisation method is a decrease of $541,000 of amortisation expense in FY2016, as compared to the amount computed under the straight-line method.

In addition to the above, 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 2016. The adoption of the new and revised standards did not have any material 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 applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrecognised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

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

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

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 109 *Financial Instruments*</u>

FRS 109 *Financial Instruments* introduces new requirements for classification and measurement, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristic and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred cost model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the new standard on the required effective date.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 *Revenue from Contracts with Customers* establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration 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 when the promised goods and services are transferred to the customers i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group has preliminary assessed that the impact of FRS 115 will not be material. The Group will do a detailed assessment and adopt the new standard on the required effective date.

<u>FRS 116 *Leases*</u>

FRS 116 *Leases* requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

3.4 Basis of consolidation and business combinations

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

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

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.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.6 Foreign currency

The financial statements are presented in Singapore Dollars 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 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.

(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 statements 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.

(c) Net investment in foreign operations

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations 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.

3.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than construction-in-progress ("CIP") are measured at cost less accumulated depreciation and any accumulated impairment losses. CIP is stated at cost less any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred to bring the asset to a working condition 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. CIP comprises the costs of materials and labour, capitalised borrowing costs and costs directly attributable to bringing the assets to a working condition for their intended use. Costs incurred in testing the assets to determine if they are functioning as intended are capitalised, after deducting any proceeds received from selling the products produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the profit or loss. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.7 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.

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

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

3.8 Exploration and evaluation costs and mine properties

(a) Exploration and evaluation (“E&E”) costs

E&E activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

E&E activities include, but not limited to, the following:

- 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.8 Exploration and evaluation costs and mine properties (cont'd)

(a) Exploration and evaluation ("E&E") costs (cont'd)

E&E costs include expenditure incurred for E&E activities, secure further mineralisation in existing ore bodies as well as in new areas of interest. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. E&E assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an E&E asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

Once the legal right to explore has been acquired, E&E expenditure is charged to profit or loss as incurred, unless future economic benefit is more likely than not to be realised. These costs include directly attributable materials and labour costs, surveying, sampling and trenching costs, drilling costs and deferred depreciation charges in respect of plant and equipment consumed during the exploration activities.

The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in E&E assets.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed. Costs that fail to meet the recognition criterion are charged to profit or loss as incurred.

E&E costs incurred on licenses where a resource estimate has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a resource estimate. Costs expensed during this phase are included in 'Other operating expenses' in the profit or loss. Upon the establishment of a resource estimate (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as E&E assets. Capitalised E&E expenditure is considered to be an intangible asset.

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

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

(i) 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;

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

(iii) 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

(iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E 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 E&E assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the E&E assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the E&E assets that are subject to testing are grouped with existing cash-generating units of production fields that are within the same licensed boundaries.

Except for the amortisation of license cost, no amortisation on E&E assets is charged during the E&E phase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.8 Exploration and evaluation costs and mine properties (cont'd)

(b) Mines under construction

Expenditure is transferred from "E&E assets" to "Mines under construction" once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the E&E assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the profit or loss. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines'.

(c) Producing mines

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" or "Producing mines". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Producing mines also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, mine development or mineable reserve development. Producing mines are written off to profit or loss if the mine is abandoned.

Prior to 1 January 2016, producing mines were amortised on straight-line basis over the licensed tenure of 6 to 10 years. From 1 January 2016, the producing mines are amortised over the estimated proved and probable reserves and measured resources of the mines under the UOP method.

Accumulated mine development costs are depreciated on UOP basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The UOP calculation for the depreciation of producing mines takes into account expenditures incurred to date and the estimated proved and probable reserves and measured resources of the mines.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on UOP basis whereby the denominator is the proven and probable reserves and measured resources, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the inclusion of the measured resources is appropriate based on historical mining output.

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. The land use rights are amortised on straight-line basis over the lease term of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Company assessed the useful lives of intangible assets as finite.

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 assets 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 an 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 groups 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.

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 accumulated 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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 take into account any interest and dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise of convertible loan note and derivative asset as they are managed on a fair value basis and are 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 derecognised where the contractual right to receive cash flows from the asset has expired, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. 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.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

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

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 the redeemable preference shares issued in 2014 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 profit or loss.

Where the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder and the substance of the settlement of liability using equity instruments includes a distribution by, or capital contribution to, the Company, such settlement does not result in a gain or a loss. The equity instruments issued are recorded at the carrying amount of the financial liability extinguished.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.14 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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 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 consolidated statement of cash flows.

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 and packaging: 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 manufacturing 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.

3.17 Provisions

General

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.

Provision for rehabilitation

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.17 Provisions (cont'd)

Provision for rehabilitation (cont'd)

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 on the balance sheet and is amortised to profit or loss over the useful life of the relevant asset.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises the related costs, for which the grants are intended to compensate, as expenses. Grants related to income are recognised in "other income".

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.

3.20 Employee benefits

Defined contribution plans

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 subsidiaries in the PRC are required to participate in a defined contribution retirement scheme. The PRC subsidiaries are required to make contributions to a local social security bureau and housing fund management bureau at a rate of 20% and 8% 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.

3.21 Leases

As lessee

Leases in which the Group does not transfer substantially all the risks and rewards of the asset are classified as operating leases. 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

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 and excluding taxes or duty.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.22 Revenue (cont'd)

(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.

(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 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, the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

3.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(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.

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 one or more uncertain future events 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 the 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 sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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 each 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 have the most significant effect on the amounts recognised in the consolidated financial statements:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

(a) Expiry of exploration licenses and mining license

As at 31 December 2016, the Group has applied for and is waiting for approval for the renewal of its mining license for Mine 1. The Sichuan Land and Resource Bureau has informed the Group that the area covered by the license could be inside the area earmarked for a proposed panda reserve and that further deliberations are needed to be made by the Sichuan Provincial Government before a final decision can be taken. These financial statements have been prepared on the basis that the said license will be renewed. In the event that the Group is notified that the renewal application is unsuccessful, the carrying cost of the certain mining infrastructure within the area covered by the license will have to be written off. As at 31 December 2016, the carrying value of the related infrastructure for Mine 1 amounted to $3,589,000 (RMB17,224,000). Please refer to Note 42 (d) for subsequent approval of this mining license after year end.

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) 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 amount of the Group's provision for taxation and deferred tax assets and deferred tax liabilities as at 31 December 2016 were $556,000 (2015: $1,062,000), $64,000 (2015: Nil) and $17,506,000 (2015: $17,905,000) respectively.

(b) 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 2016 was $38,619,000 (2015: $39,898,000).

(c) Impairment of property, plant and equipment and mine properties

The Group assesses whether there are any indicators of impairment for property, plant and equipment and mine properties at the end of each reporting period. Property, plant and equipment and mine properties 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 value in use includes estimates of the expected future cash flows from the asset or cash-generating unit and a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment and mine properties as at 31 December 2016 was $38,619,000 (2015: $39,898,000) and $65,133,000 (2015: $65,882,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

4.2 Key sources of estimation uncertainty (cont'd)

(d) Impairment of goodwill

The recoverable amount of the cash generating unit which goodwill has been allocated to, are determined based on value in use calculation. The VIU calculation is based on discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 16 to the financial statements. The carrying amount of goodwill as at 31 December 2016 was $12,249,000 (2015: $12,249,000).

(e) Depreciation of mine properties

Estimated proved and probable reserves and measured resources are used in determining the depreciation of mine properties. This results in a depreciation expense that is proportional to the depletion of the anticipated remaining life-of mine production. The mine life, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves and resources of the mine properties. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to estimated proved and probable reserves and measured resources could arise due to changes in the factors or assumptions used in the estimation, including: (i) the effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions; and (ii) unforeseen operational issues. The carrying amount of mine properties as at 31 December 2016 was $65,133,000.(2015: $65,882,000).

(f) Impairment of investment 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 VIU of the cash generating units. Estimating the VIU 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 2016 was $72,311,000 (2015: $59,022,000).

5. REVENUE

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

6. OTHER INCOME

	Group	
	2016	**2015**
	S$'000	**S$'000**
Fair value gains on		
- Convertible loan note (Note 12)	–	4,200
- Derivative asset (Note 12)	–	500
- Redeemable preference shares (Note 25)	–	150
Interest income	13	1,093
Government grants and subsidy income [(1)]	83	36
Sale of scrap	113	107
Gain on disposal of property, plant and equipment	1	26
Amortisation of deferred income (Note 27)	122	78
Others	5	188
	337	6,378

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. (LOSS)/PROFIT BEFORE TAX

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

	Group	
	2016	2015
	S$'000	S$'000
Amortisation of mine properties	(789)	(144)
Amortisation of land use rights *	(96)	(102)
Amortisation of intangible asset	(54)	(58)
Audit fees *		
- Auditors of the Company	(111)	(119)
- Other auditors	(111)	(129)
Non-audit fees *		
- Auditors of the Company	(23)	(50)
Depreciation of property, plant and equipment	(3,351)	(3,265)
Exchange gain *	244	6
Staff costs	(2,153)	(2,298)
Defined contribution plan	(868)	(940)
Directors' fees *		
- Directors of the Company	(364)	(338)
- Directors of subsidiaries	(30)	(93)
Director's remuneration *		
- Directors of the Company	(427)	(360)
- Directors of subsidiaries	(497)	(441)
Termination of pre-existing contract	–	(2,429)
Finance costs		
- Interest on bank loan and bank overdraft	(280)	(262)
- Interest on redeemable preference shares	(488)	(839)
- Other interest expense	(52)	(117)
- Bank charges and other finance costs	(72)	(11)

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

8. TAXATION

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	2015
	S$'000	S$'000
Current income tax	(215)	(892)
Deferred income tax (Note 28)		
- origination and reversal of temporary differences	412	74
	197	(818)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. TAXATION (CONT'D)

Relationship between corporate tax rate and average effective tax rate

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 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	%	**%**
Domestic statutory tax rates	(17.00)	17.00
Adjustments on tax effect of:		
Non-deductible expenses	8.82	29.65
Income not subject to taxation	(6.47)	(28.19)
Deferred tax assets not recognised	4.71	0.38
Differences in tax rates	(0.23)	8.18
Effective tax rate	(10.17)	27.02

The PRC subsidiaries are subject to income tax at rate of 25% (2015: 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 FY2016, the Group utilised current year tax losses of nil (2015: $1,520,000) to set off the assessable income of certain companies within the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. MINE PROPERTIES

	Group		
	Exploration and evaluation assets	Producing mines	Total
	S$'000	S$'000	S$'000
Cost (restated)			
At 1 January 2015	–	2,566	2,566
Additions through acquisition of subsidiaries (Note 17)	27,977	37,607	65,584
Currency realignment	–	30	30
At 31 December 2015 and 1 January 2016	27,977	40,203	68,180
Additions	54	–	54
Currency realignment	*	(114)	(114)
At 31 December 2016	28,031	40,089	68,120
Accumulated amortisation (restated)			
At 1 January 2015	–	2,130	2,130
Charge for the year	–	144	144
Currency realignment	–	24	24
At 31 December 2015 and 1 January 2016	–	2,298	2,298
Charge for the year	–	789	789
Currency realignment	–	(100)	(100)
At 31 December 2016	–	2,987	2,987
Net carrying amount (restated)			
At 31 December 2016	28,031	37,102	65,133
At 31 December 2015	27,977	37,905	65,882

* denotes amount less than $1,000

Remaining useful lives	
At 31 December 2016	1 to 4 years
At 31 December 2015	1 to 5 years

Please refer to Note 42(d) for details on the renewal status of one of the Group's mining licenses.

Amortisation of mine properties incurred during the mining period are capitalised into inventories and subsequently recognised in "cost of sales" in the consolidated statement of comprehensive income upon sales of inventories.

In FY2015, under straight-line method, amortisation which were incurred during the non-mining period were recognised in "General and Administrative costs" in the consolidated statement of comprehensive income. In FY2016, the Group changed the amortisation of mining properties to UOP method. As there were no output during the non-mining period, no amortisation expense of mine properties was recorded in "General and Administrative costs".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. MINE PROPERTIES (CONT'D)

Impairment testing

During the financial year, as a result of the losses incurred by the Group, management carried out a review of the recoverable amount of the mine properties. The recoverable amount of the mine properties was based on its value in use, which was computed based on pre-tax discount rate of 18.89% and long-term growth rate of 3%. Other key assumptions include budgeted revenue and budgeted lost. Based on the outcome of the impairment test, no impairment was recorded for FY2016.

10. LAND USE RIGHTS

	Group	
	2016	**2015**
	S$'000	**S$'000**
Cost		
At 1 January	5,059	1,863
Additions	–	3,208
Currency realignment	(223)	(12)
At 31 December	4,836	5,059
Accumulated amortisation		
At 1 January	214	112
Amortisation for the year	96	102
Currency realignment	(9)	*
At 31 December	301	214
Net carrying amount	4,535	4,845
Amount to be amortised:		
- Not later than one year	96	102
- Later than one year but not more than five years	384	408
- Later than five years	4,055	4,335
	4,535	4,845
Remaining useful lives	45 to 48 years	46 to 49 years

* denotes amount less than $1,000.

Land use rights represent cost of land use rights in respect of 2 (2015: 2) leasehold lands located in Sichuan Province, PRC.

A PRC subsidiary obtained land use rights in Mianzhu City, Sichuan Province, PRC, with licensed tenure of approximately 50 years when obtained in December 2011 and February 2015.

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 2016 and 2015, land use rights with carrying value of $4,535,000 (RMB21,762,000) (2015: $1,734,000 (RMB7,953,000)) are pledged to secure the interest-bearing bank loans (Note 24).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings S$'000	Leasehold improvements S$'000	Plant and machinery S$'000	Motor vehicles and office equipment S$'000	Mining infrastructure[1] S$'000	Construction-in-progress S$'000	Total S$'000
Cost (restated)							
At 1 January 2015	10,098	341	25,683	774	4,577	1,856	43,329
Additions	21	–	182	616	3,690	863	5,372
Acquisition of subsidiaries (Note 17)	–	–	–	–	1,281	–	1,281
Transfers	1,990	–	(469)	–	1,069	(2,590)	–
Disposals	–	–	(75)	(149)	–	–	(224)
Currency realignment	96	2	319	7	3	53	480
At 31 December 2015 and 1 January 2016	12,205	343	25,640	1,248	10,620	182	50,238
Additions	4	–	792	40	2,792	167	3,795
Transfers	57	–	4	–	19	(80)	–
Disposals	–	–	–	(29)	–	–	(29)
Currency realignment	(537)	(6)	(1,246)	(40)	(405)	(8)	(2,242)
At 31 December 2016	11,729	337	25,190	1,219	13,026	261	51,762
Accumulated depreciation and impairment (restated)							
At 1 January 2015	567	156	5,141	597	685	–	7,146
Charge for the year	622	40	686	185	1,732	–	3,265
Disposals	–	–	(2)	(147)	–	–	(149)
Currency realignment	*	2	76	7	(7)	–	78
At 31 December 2015 and 1 January 2016	1,189	198	5,901	642	2,410	–	10,340
Charge for the year	560	39	835	214	1,703	–	3,351
Disposals	–	–	–	(29)	–	–	(29)
Currency realignment	(51)	(6)	(349)	(22)	(91)	–	(519)
At 31 December 2016	1,698	231	6,387	805	4,022	–	13,143
Net carrying amount							
At 31 December 2016	10,031	106	18,803	414	9,004	261	38,619
At 31 December 2015 (restated)	11,016	145	19,739	606	8,210	182	39,898

* denotes amount less than $1,000.

1 Mining infrastructure includes waste removal cost of $6,340,000 (2015:$4,805,000) as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Assets pledged as security

At 31 December 2016, plant and equipment of the Group with a carrying amount of $15,619,000 (RMB74,949,000) (2015: $22,043,000 (RMB101,100,000)) are pledged to secure the interest-bearing bank loan (Note 24).

Impairment testing

During the financial year, management carried out a review of the recoverable amount of property, plant and equipment of the downstream business. The recoverable amount of the mine properties was based on its value in use, which was computed based on pre-tax discount rate of 20% and long -term growth rate between 3% to 5%. Other key assumptions include budgeted revenue and budgeted cost. Based on the outcome of the impairment test, no impairment was recorded for FY2016.

12. CONVERTIBLE LOAN NOTE AND DERIVATIVE ASSET

On 30 April 2014, a subsidiary of the Group, AsiaPhos Resources Pte. Ltd. ("APR"), subscribed for Convertible Loan Note of $15,000,000 (the "CLN") issued by a Singapore incorporated company, LY Resources Pte. Ltd. ("LYR"). The contracted maturity date of the CLN was 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 the Vendor to sell, and procure the sale of, all the shares of LYR ("Call Option"), and (ii) the Vendor was 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").

Subject to certain conditions being met, APR 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 entitled the Group to a 35% discount to the independent valuation of LYR, and bore cash and deferred interest at 10% and 2.5% per annum respectively. The cash interest was receivable annually while the deferred interest was receivable when the CLN is converted or redeemed.

Upon the exercise of the Call Option or Put Option, the Company will issue new ordinary shares of the Company to the Vendor (the "Consideration Shares") to satisfy the consideration payable for the exercise of the Options. 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 the issue price of each Consideration Share shall be between $0.25 and $0.30 both amounts inclusive; and 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.

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

As at 31 December 2015, the Group uses the valuation technique of the Binomial Model to determine the fair values of the CLN and Options.

On 29 June 2015, APR exercised its right to convert the CLN, pursuant to which, LYR would issue new LYR shares, representing approximately 46.5% of the enlarged issued share capital of LYR to APR based on conversion of the CLN and accumulated deferred interest up to the date of conversion, which amounts to $469,000 (Note 17). At the same time, the Company exercised its Call Option to acquire the remaining equity of LYR and issued 101,319,000 Consideration Shares as consideration.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

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

Pursuant to completion of the acquisition of LYR on 27 July 2015, the Group remeasured the CLN and derivative asset at the acquisition date as these form part of the purchase consideration for LYR, and recognised fair value gains of $4,200,000 and $500,000 respectively.

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

	Group			
	CLN		Derivative asset	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
At 1 January	–	23,077	–	13,326
Fair value gain recognised during the year (Note 6)	–	4,200	–	500
Transfer to investment in subsidiaries (Note 17)	–	(27,277)	–	(13,826)
At 31 December	–	–	–	–

At the Company level, the fair value gain on the derivative asset recognised in FY2015 was $500,000.

The fair values of the CLN and the derivative asset were estimated by using the Binomial Model. The following table lists the key inputs to the model used:

	Group	
	2016	2015
Risk-free interest rate (% per annum)	–	0.6%
Equity return volatility (% per annum)	–	40.0%
Dividend yield	–	0.0%

13. PREPAYMENTS

	Group		Company	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Non-current				
Payments made in respect of				
- Land use rights	535	561	–	–
- Property, plant and equipment	156	26	–	–
	691	587	–	–
Current				
Miscellaneous prepayments	1,108	1,063	38	143

Prepayments for land use rights relate to 1 (2015: 1) leasehold land in Mianzhu City, Sichuan Province, PRC.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

14. OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Non-current				
Long-term deposits	257	269	–	–
Refundable deposits	28	28	–	–
	285	297	–	–
Current				
Other receivables	589	472	48	34
Refundable deposits	12	9	9	6
	601	481	57	40

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.

Other receivables denominated in foreign currency other than the functional currencies of the respective entities at 31 December are as follows:

	Group and Company	
	2016	2015
	S$'000	S$'000
Euro	47	33

Other receivables that were impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Other receivables – nominal amounts	41	43	–	–
Less: Allowance for doubtful receivables	(41)	(43)	–	–
	–	–	–	–

Movements in allowance for doubtful receivables:

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
At 1 January	43	42	–	–
Currency realignment	(2)	1	–	–
At 31 December	41	43	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. INTANGIBLE ASSET

	Group S$'000
Cost	
At 1 January 2015	169
Currency realignment	2
At 31 December 2015 and 1 January 2016	171
Currency realignment	(8)
At 31 December 2016	163
Accumulated amortisation	
At 1 January 2015	56
Charge for the year	58
Currency realignment	*
At 31 December 2015 and 1 January 2016	114
Charge for the year	54
Currency realignment	(5)
At 31 December 2016	163
Net carrying amount	
At 31 December 2016	–
At 31 December 2015	57
Remaining useful lives	
At 31 December 2016	–
At 31 December 2015	1 year

* denotes amount less than $1,000.

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

The amortisation of intangible asset is included in the "Selling and Distribution cost" in the consolidated statement of comprehensive income.

16. GOODWILL

	Group 2016 S$'000	Group 2015 S$'000 (restated)
At 1 January	12,249	–
Addition arising from business combination (Note 17)	–	12,249
At 31 December	12,249	12,249

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. GOODWILL (CONT'D)

None of the goodwill recognised is expected to be deductible for tax purposes.

Impairment testing

Goodwill acquired through business combination has been allocated to LYR group of cash-generating units ("LYR CGU") for impairment test. For the purpose of testing goodwill for impairment, the deferred tax liabilities recognised on the acquisition that remain at the balance sheet date are treated as part of the CGU.

The recoverable amount of LYR CGU has been determined based on VIU calculations using cash flow projections from financial budgets approved by management covering up to the end of useful lives of the mines. Using the useful lives of the mines is a more appropriate basis for the VIU computations for the exploration and mining assets, as the computations are based on the proved and probable reserves and measured resources and expected annual production levels. Assumptions made are consistent with the latest geologist estimates of the amount of reserves and measured resources and annual production rates. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections are as follows:

	Group	
	2016	**2015**
Long-term growth rate	3.0%	5.0%
Pre-tax discount rate	18.89%	16.75%

Key assumptions used in the VIU calculations

VIU for the LYR CGU is estimated based on discounted future cash flows expected to be generated from the continuing use of the CGU using forecasted phosphate rock prices, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements based on the latest life-of-mine plans. These cash flows were discounted using a discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The calculations of VIU for LYR CGU are most sensitive to the following assumptions.

(a) Budgeted revenue and costs are based on production volume and commodity prices and cost of sales:

(i) Production volume: Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the resources; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

As the assets included in the LYR CGU has specific reserve characteristics and economic circumstances, the cash flows of the assets are computed using individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and resource estimates.

(ii) Commodity prices and cost of sales: Forecast commodity prices and cost of sales are based on management's estimates. These prices and costs were adjusted to arrive at appropriate consistent price assumptions for the different qualities of the resources.

(b) Long-term growth rate: the forecasted long-term growth rate used is based on best estimates of the management and does not exceed the long-term average growth rate of the market relevant to the CGU.

(c) Pre-tax discount rate: discount rate calculation is based on the specific circumstances of the Group and derived from its weighted average cost of capital (the "WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on long term borrowing rates in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. GOODWILL (CONT'D)

Sensitivity to changes in assumptions

With regards to the assessment of VIU for the LYR CGU, management believes that reasonably possible changes in any of the key assumptions could cause the carrying value of the CGU to materially exceed its recoverable amount. As 31 December 2016, the estimated recoverable amount of the LYR CGU exceeds its carrying amount by approximately $1,992,000 (2015: $514,000). It is estimated that each of the following adverse changes in the key assumptions would lead to impairment of the LYR CGU:

	Group	
	2016	**2015**
	%	**%**
	Increase/(decrease)	
Budgeted revenue	(1.02)	(0.24)
Budgeted costs	1.58	0.37
Long-term growth rate	(12.75)	(2.00)
Pre-tax discount rate	2.75	0.66

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	S$'000	**S$'000**
Unquoted shares, at cost:		
At 1 January	59,022	33,545
Additions during the year	13,289	25,477
At 31 December	72,311	59,022

During FY2016, the Company capitalised advances receivable of $12,612,000 and interest receivable of $677,000 (Note 20) as additional investment in subsidiaries.

a. Composition of the Group

Name of company (Country of registration)	**Principal activities (Place of business)**	**Proportion (%) of ownership interest**	
		2016	**2015**
		%	**%**
Held by the Company			
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	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

Name of company (Country of registration)	Principal activities (Place of business)	Proportion (%) of ownership interest 2016 %	2015 %
Held through Norwest Chemicals Pte Ltd			
Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd * (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
Held through AsiaPhos Resources Pte. Ltd.			
LY Resources Pte. Ltd. # (Republic of Singapore)	Investment holding (Republic of Singapore)	100	100
Held through LY Resources Pte. Ltd.			
XDL Resources Pte. Ltd. # (Republic of Singapore)	Investment holding (Republic of Singapore)	100	100
Deyang Xin Zhong Lian He Technical Consulting Co., Ltd. * (People's Republic of China)	Mining activities, internet technology consulting services and wholesale of mineral products (People's Republic of China)	100	100
Held through XDL Resources Pte. Ltd.			
Deyang City Xianrong Technical Consulting Co., Ltd. * (People's Republic of China)	Mining activities, internet technology consulting services, and wholesale of mineral products; and transportation services (People's Republic of China)	100	100
Held through Deyang City Xianrong Technical Consulting Co., Ltd.			
Deyang Fengtai Mining Co., Ltd.* (People's Republic of China)	Sale of mineral products (People's Republic of China)	55	55

\# Audited by Ernst & Young LLP, Singapore

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

b. Interest in a subsidiary with material non-controlling interest

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportional share of Fengtai's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

b. Interest in a subsidiary with material non-controlling interest (cont'd)

The Group has a subsidiary that has non-controlling interest that is material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to non-controlling interest during the period S$'000	Accumulated non-controlling interest at the end of the reporting period S$'000	Dividends paid to non-controlling interest S$'000
2016					
Deyang Fengtai Mining Co., Ltd.	People's Republic of China	45%	–	9,463	–
2015 (restated)					
Deyang Fengtai Mining Co., Ltd.	People's Republic of China	45%	–	9,463	–

c. Summarised financial information of a subsidiary with material non-controlling interest

Summarised financial information (without adjusting for the Group's proportionate interest) of Deyang Fengtai Mining Co., Ltd. ("Fengtai") excluding goodwill and before eliminations of intercompany balances are as follows:

Summarised balance sheet

	Fengtai	
	2016	**2015**
	S$'000	**S$'000**
		(restated)
Current assets	1,015	64
Current liabilities	(1,161)	(153)
Net current liabilities	(146)	(89)
Non-current assets	28,094	28,050
Non-current liabilities	(6,994)	(6,994)
Net non-current assets	21,100	21,056
Net assets	20,954	20,967

Summarised statement of comprehensive income

Other income	–	56
Loss before taxation	(13)	(16)
Loss after taxation representing total comprehensive income for the year	(13)	(16)

Other summarised information

Net cash flows from operating activities	(41)	(35)
Net cash flows from investing activities	–	(75)
Net cash flows from financing activities	50	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

d. Acquisition of subsidiaries

On 29 June 2015, APR exercised its right to convert the CLN (Note 12) and cumulative deferred interest, and the Company exercised the Call Option to acquire the remaining equity of LYR and issued 101,319,000 Consideration Shares as consideration. The aggregate consideration was $52,944,000 for 100% equity interest in LYR on acquisition date.

The acquisition of LYR and its subsidiaries (collectively, the "LYR Group") allows the Group to (i) acquire the economic benefits of the joint mining operations, leading to potentially lower costs of production. Prior to the acquisition, the co-operation partner was entitled to a portion of profits from 3 of the existing mining adits; and (ii) benefit from ownership and/or control over Deyang Fengtai (and correspondingly, the "Fengtai exploration license"). The Group expects to capitalise on the Fengtai exploration license to expand the effective land area where the Group has mining or exploration licenses thereby increasing reserves and resources through new discoveries, and also expects to achieve savings on cost and capital expenditure, and benefit from economies of scale and operational synergies which has the potential to improve the Group's operational and financial performance over time.

The fair values disclosed as at 31 December 2015 were provisional. This was because due to the complexity of the acquisition and the inherently uncertain nature of the mining sector, particularly in valuing intangible exploration and evaluation assets, further work was required to confirm the final fair values at acquisition date. Based on preliminary valuation, the provisional fair value of the mine properties was approximately $72,031,000 (RMB322,000,000), with the Group's share of the mine properties being $58,341,000 (RMB260,800,000). Provisional goodwill of $8,271,000 was recognised as at 31 December 2015.

The valuation of net identifiable assets acquired on acquisition date was completed in June 2016. Based on the finalised independent valuation of mine properties of approximately $65,584,000 (RMB293,181,000), the Group's share of mine properties was $52,995,000 (RMB236,902,000). The value of property, plant and equipment increased from $1,239,000 to $1,281,000. Accordingly, deferred tax liabilities decreased from $18,318,000 to $16,717,000. These resulted in a corresponding increase in goodwill from $8,271,000 to $12,249,000.

The fair value of the identifiable assets and liabilities as at acquisition date has been restated to reflect the finalised valuation and is presented below:

	Fair value recognised on acquisition S$'000 (restated)
Property, plant and equipment (Note 11)	1,281
Mine properties (Note 9)	65,584
Cash and cash equivalents	52
Deferred tax liabilities (Note 28)	(16,717)
Other liabilities	(42)
Net identifiable assets, at fair value	50,158
Non-controlling interest measured at the non-controlling interest's proportional share of Fengtai's net identifiable assets	(9,463)
Goodwill	12,249
	52,944

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

d. Acquisition of subsidiaries (cont'd)

Consideration transferred for the acquisition of LYR Group

	Fair value recognised on acquisition S$'000
2015	
Conversion of CLN (Note 12)	27,277
Conversion of deferred interest on CLN (Note 12)	469
Derivative asset (Note 12)	13,826
Prepayment made in prior year	2,149
Issuance of 101,319,000 Consideration Shares (Note 30)	11,652
Total consideration transferred	55,373
Termination of pre-existing contract (Note 7)	(2,429)
Net consideration transferred	52,944

With the acquisition of LYR Group, the Group acquired the economic benefits of the joint mining operations from the former co-operation partner. A portion of the purchase consideration was deemed to be incurred on termination of pre-existing contract, accordingly the amount of nil (2015: $2,429,000) was written off to consolidated statement of comprehensive income (Note 7).

Effect of the acquisition on cash flows

	Fair value recognised on acquisition S$'000
2015	
Total consideration for 100% equity interest	52,944
Less: non-cash consideration	(38,223)
Consideration settled in cash	14,721
Less: cash and cash equivalents of subsidiary acquired	(52)
Less: amount paid in prior periods	(17,150)
Add: termination of pre-existing contract	2,429
Net cash inflow from acquisition of subsidiaries	(52)

Equity instruments issued as part of consideration transferred

In connection with the exercise of Call Option to acquire the remaining equity of LYR Group, the Company issued 101,319,000 Consideration Shares with fair value of $0.115 each. The fair value of the Consideration Shares is the published price of the shares at the acquisition date. For FY2015, the attributable cost of the issuance of shares as consideration amounting to $42,000 has been recognised directly in equity as reduction from share capital (Note 30).

Except for the above mentioned issuance costs, there were no other transactions costs related to the acquisition for FY2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

d. Acquisition of subsidiaries (cont'd)

Goodwill arising from acquisition

The goodwill arising from the acquisition comprises value from going concern implicit in our ability to sustain and/or grow our business by increasing mineral reserves and resources through new discoveries, ability to capture unique synergies that can be realised from managing the enlarged mining and exploration area that are within close proximity and requirement to recognise liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

Impact of the acquisition on profit or loss

From the acquisition date, LYR Group did not contribute any revenue to the Group and have no immediate financial impact on the Group's profit for FY2015. If the business combination had taken place at the beginning of 2015, it would contribute no revenue and have no material impact on the Group's profit for FY2015.

18. STOCKS

	Group	
	2016	**2015**
	S$'000	**S$'000**
Balance sheet		
Raw materials and packaging, at cost	4,431	1,309
Finished goods, at cost	3,510	1,419
	7,941	2,728
Consolidated statement of comprehensive income		
Stocks recognised as an expense in cost of sales	29,090	36,018

There is no movement and balance for allowance for stocks obsolescence for the years ended 31 December 2016 and 2015.

19. TRADE RECEIVABLES

	Group	
	2016	**2015**
	S$'000	**S$'000**
Trade receivables	1,320	1,485
Note receivables	2,655	2,937
	3,975	4,422

Trade receivables

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 value on initial recognition.

There were no trade receivables denominated in foreign currency other than the functional currencies of the respective entities as at 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

19. TRADE RECEIVABLES (CONT'D)

Note receivables

Notes receivables have maturity of one to six (2015: one to six) months at the end of the reporting period.

At 31 December 2016, notes receivables accepted by banks in the PRC with carrying amount of $6,974,000 (approximately RMB33,465,000) (2015: $3,546,000 (approximately RMB16,268,000)) ("De-recognised Notes") were endorsed with no recourse in order to settle the trade payables to certain suppliers. The De-recognised Notes have a maturity of one to five (2015: one to five) 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 De-recognised Notes. Accordingly, the Group has derecognised the full carrying amounts of the De-recognised Notes and the associated trade payables.

The maximum exposure to loss from the Group's continuing involvement in these De-recognised Notes and the undiscounted cash flows to repurchase these De-recognised 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 De-recognised Notes are not significant.

For FY2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes (2015: 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 Group has trade receivables amounting to $347,000 (2015: $34,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	S$'000	**S$'000**
More than one month but less than three months past due	165	34
More than three months past due	182	–
	347	34

Receivables that are impaired

Trade receivables that were impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Trade receivables – nominal amounts	52	55
Less: Allowance for doubtful trade receivables	(52)	(55)
	–	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

19. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

Movements in allowance for doubtful trade receivables:

	Group	
	2016	**2015**
	S$'000	**S$'000**
At 1 January	55	54
Currency realignment	(3)	1
At 31 December	52	55

Trade receivables that were individually determined to be impaired at the end of the reporting period 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.

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2016	**2015**
	S$'000	**S$'000**
Amounts due from subsidiaries		
- Advances	3,695	16,379
- Non-trade	79	46
- Interest receivable	264	758
	4,038	17,183
Amounts due to subsidiaries		
- Advances	(653)	–
- Non-trade	(586)	–
	(1,239)	–

Amounts due from/(to) subsidiaries are unsecured, repayable on demand and are to be settled in cash. Non-trade amounts due from/(to) subsidiaries are non-interest bearing. Except for an amount of $30,000 (2015: $30,000), interest is charged on advances due from subsidiaries at 5% (2015: 5%) per annum for FY2016.

During FY2016, the Company capitalised advances of $12,612,000 and interest receivable of $677,000 as additional investment in subsidiaries (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. CASH AND BANK BALANCES

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following as at 31 December:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash and bank balances	2,588	4,301	1,027	1,018
Less: Bank overdraft (secured)	(392)	(16)	(392)	(16)
Less: Pledged deposits	(1,184)	(1,187)	(1,015)	(1,007)
Cash and cash equivalents/(bank overdraft)	1,012	3,098	(380)	(5)

Cash at banks 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 0.71% (2015: 0.57%) per annum.

As at 31 December 2016, pledged deposits include amounts pledged for bank overdraft facility and mining activities of $1,015,000 (2015: $1,007,000) and $169,000 (2015: $180,000) respectively.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
United States Dollar ("USD")	89	45	12	1
Euro	*	10	*	10

* denotes amount less than $1,000.

22. TRADE PAYABLES

Trade payables are unsecured, non-interest bearing, normally settled on 30 to 60-days terms and are to be settled in cash.

Trade payables were denominated in the functional currencies of the respective entities as at 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23. OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Payables related to:				
- Taxes other than income tax	1,299	2,300	–	–
- Payroll and welfare payable	372	412	–	–
- Property, plant and equipment	514	842	–	–
Other payables	1,456	1,018	6	31
Preference dividends				
- 2014 RPS	–	722	–	–
- 2016 RPS	189	–	–	–
Deposits received	744	895	–	–
Accrued liabilities	995	659	139	346
	5,569	6,848	145	377

Other payables are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Other payables were denominated in the functional currencies of the respective entities as at 31 December 2016 and 2015.

Preference dividend payables represent dividends in connection with redeemable preference shares (Note 25).

24. INTEREST-BEARING BANK LOANS

	Group	
	2016	2015
	S$'000	S$'000
Short term bank loans	7,086	–

The fixed-rate bank loans are denominated in RMB, bear interest at 5.0% to 6.5% per annum with maturity in 2017. These loans are repayable on their respective maturity dates.

The bank loans were secured by land use rights (Note 10) and certain property, plant and equipment (Note 11). The Company has also provided a corporate guarantee for bank loan of $5,002,000 (RMB24,000,000) (2015: Nil).

25. REDEEMABLE PREFERENCE SHARES

7,000,000 Redeemable Preference Shares (the "2014 RPS")

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

25. REDEEMABLE PREFERENCE SHARES (CONT'D)

The dividend rate of 2014 RPS for preference cash and deferred dividends are 10% and 2.5% per annum respectively. Preference cash dividends are payable annually and preference deferred dividends are payable when the 2014 RPS are converted or redeemed.

The terms of the 2014 RPS allow the 2014 RPS holders a choice of cash redemption and non-cash redemption. Cash redemption (at or before maturity) entails the Group to redeem the principal amount of the 2014 RPS at a premium of 15%, 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 2014 RPS into new LYR shares (issued to such 2014 RPS holders at the direction of the Group upon conversion of the CLN).

At 31 December 2015, the Group engaged Jones Lang LaSalle to determine the fair value of the 2014 RPS. The Group uses the valuation technique of Discounted Cash Flow Model to determine the fair value of the 2014 RPS.

For FY2015, all the 2014 RPS holders made an irrevocable election for cash redemption. Pursuant to the completion of acquisition of LYR Group on 27 July 2015 (Note 17), the 2014 RPS were to be redeemed within 6 months from the acquisition date. Accordingly, the 2014 RPS have been reclassified to current liability as at 31 December 2015. The Group reassessed the valuation of 2014 RPS and remeasured the 2014 RPS at $8,050,000, being the principal of 2014 RPS and redemption premium (15% of the principal amount) and recognised fair value gain of $150,000 for FY2015.

The following table lists the key inputs to the model used for the valuation of the 2014 RPS:

	Group	
	2016	**2015**
Risk-free interest rate (% per annum)	–	0.6%
Discount rate	–	11.0%

On 26 January 2016, the 2014 RPS was fully redeemed in cash.

5,725,000 Redeemable Preference Shares (the "2016 RPS")

On 26 January 2016, the Group, through one of its wholly owned subsidiary, Norwest Chemicals Pte. Ltd. ("NWC") issued the 2016 RPS at the issue price of $1 each to certain investors (the "2016 RPS Holders"), including the Group's Chief Executive Officer and Executive Director, Dr. Ong Hian Eng ("Dr. Ong"), and a controlling shareholder of the Company, Astute Ventures Pte. Ltd ("Astute Ventures"). The 2016 RPS bears interest at 8% per annum and the contracted maturity date is 26 January 2021. The 2016 RPS is recorded as financial liabilities at amortised cost upon initial recognition.

Proposed early redemption of 2016 RPS

In connection with the Proposed Rights cum Warrants Issue (Note 2 and 42(c)), the 2016 RPS Holders, NWC and the Company have executed a deed under which it is agreed that, *inter alia*, an early redemption of the 2016 RPS ("Proposed Redemption") will be effected ahead of the maturity date (the "Deed").

The key terms of the Deed are as follows:

(a) each 2016 RPS Holders irrevocably agrees to the Proposed Redemption of the 2016 RPS at 100% of the principal amount, which shall be redeemed by NWC out of proceeds of a fresh issue of shares issued to the Company for the purpose of the Proposed Redemption and in accordance with the terms and conditions of the Deed;

(b) accrued dividends in respect of the 2016 RPS will be payable in cash by NWC to the 2016 RPS Holders;

(c) the Proposed Redemption will be conditional upon the completion of the Proposed Rights cum Warrants Issue to the satisfaction of the Company and subject to such completion, the Proposed Redemption shall take place on the allotment and issuance date of the Rights Shares with Warrants under the Proposed Rights cum Warrants Issue (the "Completion Date");

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

25. REDEEMABLE PREFERENCE SHARES (CONT'D)

5,725,000 Redeemable Preference Shares (the "2016 RPS") (cont'd)

Proposed early redemption of 2016 RPS (cont'd)

(d) each 2016 RPS Holders will subscribe for the number of Rights Shares with Warrants and/or procure the subscription of and/or apply by way of excess application prior to the latest time and date for acceptance of and payment for the Rights Shares as set out in the Deed;

(e) subject to each 2016 RPS Holders (and, where relevant such persons nominated by the 2016 RPS Holders (the "Nominees")) performing its obligations in (d) above and its respective irrevocable deed of undertaking, the Company shall issue, allot and credit as fully paid-up such number of Rights Shares with Warrants to the respective 2016 RPS Holders (and, where relevant its Nominee(s)). Provided that if the Proposed Rights cum Warrants Issue is oversubscribed and the Company is unable to issue in full such number of Rights Shares with Warrants, the value (based on the Issue Price) of the shortfall of such number of Rights Shares with Warrants required to fully redeem their respective 2016 RPS shall be paid in cash to 2016 RPS Holders;

(f) the NWC Preference Shares shall be deemed to be cancelled upon (d) and (e) having taken place.

As at 31 December 2016, the 2016 RPS is recorded at amortised cost using the effective interest method. In setting the nominal interest of 8%, the Group took into account of contracted tenure of the 2016 RPS, the interest rates charged by the banks on the interest-bearing bank loans, as well as the negotiation between the Group and the 2016 RPS investors. As at 31 December 2016, the interest of 8% per annum is deemed to be the effective interest rate for the 2016 RPS.

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

	Group	
	2016	**2015**
	S$'000	**S$'000**
At 1 January	8,050	8,200
Redemption of the 2014 RPS	(8,050)	–
Issuance of 2016 RPS	5,725	–
Fair value gain recognised during the year (Note 6)	–	(150)
At 31 December	5,725	8,050

26. LOAN DUE TO A DIRECTOR

Pursuant to a shareholder's loan agreement entered into between Dr. Ong and the Company on 21 December 2016, Dr. Ong has extended a loan of S$1,000,000, (the "Dr. Ong Loan"), to the Company, which is interest-free, unsecured and with a maturity period of six (6) months.

In connection with the Proposed Rights cum Warrants Issue (Note 2), Dr. Ong has executed a deed of undertaking in favour of the Company (the "Deed of Undertaking"), pursuant to which he has unconditionally and irrevocably undertaken that, in addition to accepting the Rights Shares with Warrants which he will be allocated, he will subscribe for up to 30,834,847 Rights Shares with Warrants which are not taken up by the other Entitled Shareholders or their renouncees (the "Excess Rights") by way of excess application (subject to availability).

The amount is to be applied and set off against the subscription monies otherwise payable by Dr. Ong in respect of the subscription of the Rights Shares with Warrants and the Excess Rights. In the event that there is any remaining balance of the principal amount of the Dr. Ong Loan (after payment of the aggregate subscription monies for the Rights Shares with Warrants which Dr. Ong is obliged to subscribe for), such remaining balance shall be fully repaid by the Company out of a portion of the net proceeds of the Proposed Rights cum Warrants Issue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. DEFERRED INCOME

	Group	
	2016	2015
	S$'000	S$'000
At 1 January	2,407	2,438
Received during the year	58	20
Recognised in profit or loss during the year	(122)	(78)
Currency realignment	(106)	27
At 31 December	2,237	2,407
Net carrying amount:		
Current liabilities	35	–
Non-current liabilities	2,202	2,407
	2,237	2,407

Deferred income represented government grants received in relation to 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 relevant plant and equipment is complete and capable of operating in the manner intended by the Group.

28. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2016	2015
	S$'000	S$'000
		(restated)
Deferred tax assets	(64)	–
Deferred tax liabilities	17,506	17,905
At 31 December	17,442	17,905

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

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

Group (Restated)	Unutilised tax losses S$'000	Deferred income S$'000	Unremitted foreign income S$'000	Difference in depreciation for tax purpose S$'000	Fair value adjustments on acquisition of subsidiary S$'000	Total S$'000
At 1 January 2015	–	(610)	42	1,815	–	1,247
Charge/(credit) to profit or loss during the year (Note 8)	–	18	–	(92)	–	(74)
Acquisition of subsidiaries (Note 17)	–	–	–	–	16,717	16,717
Currency realignment	–	(7)	–	22	–	15
At 31 December 2015 and 1 January 2016	–	(599)	42	1,745	16,717	17,905
Charge/(credit) to profit or loss during the year (Note 8)	(443)	22	337	(87)	(241)	(412)
Currency realignment	–	26	–	(77)	–	(51)
At 31 December 2016	(443)	(551)	379	1,581	16,476	17,442

Unrecognised tax losses

As at 31 December 2016, the Group had tax losses and deductible temporary differences totaling approximately $903,000 (2015: $3,030,000) 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 tax losses have no expiry date but 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.

Tax consequences of proposed dividends

There are no income tax consequences (2015: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements as at 31 December 2015 and 2016 (Note 40).

29. PROVISION FOR REHABILITATION

	Group 2016 S$'000	Group 2015 S$'000
At 1 January	177	175
Currency realignment	(7)	2
At 31 December	170	177

The Group makes provision for the future cost of rehabilitating mine sites on a discounted basis at rates ranging from 3.64% to 3.77% (2015: 3.64% to 3.77%) as at 31 December 2016.

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, which management believes are a reasonable basis have been made 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 future price of phosphate, which cannot be determined with certainty.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares		No. of shares	
	'000	S$'000	'000	S$'000
Issued and paid-up ordinary shares				
At 1 January	901,319	68,151	800,000	56,541
Issued for acquisition of subsidiaries (Note 17)	–	–	101,319	11,652
Share issuance expenses (Note 17)	–	–	–	(42)
At 31 December	901,319	68,151	901,319	68,151

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.

31. RESERVES

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Retained earnings	9,517	12,627	6,544	8,862
Foreign currency translation reserve	2,234	4,249	–	–
Merger reserve	850	850	–	–
Safety fund surplus reserve	856	381	–	–
	13,457	18,107	6,544	8,862

(a) Foreign currency translation reserve

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

(b) Merger reserve

Merger reserve arose from the restructuring exercise involving entities under common control which took place in 2013 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.

(c) Safety fund surplus reserve

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, a PRC subsidiary is required to make appropriation to a Safety Fund Surplus Reserve based on the volume of mineral ore extracted and revenue of elemental phosphorus sold in the previous financial year. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of shares of 901,319,000 (2015: 843,859,000) ordinary shares outstanding during the financial year.

The diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year 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.

The basic and diluted (loss)/earnings per share for 31 December 2015 and 31 December 2016 were the same as there were no potential dilutive instruments.

The (loss)/earnings per share amounts has not adjusted for the dilutive effect of the Proposed Rights cum Warrants Issue (Note 2), as the transaction which will occur after the end of the reporting period, does not affect the amount of capital used to produce profit or loss for the financial period ended 31 December 2016.

33. SEGMENT INFORMATION

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

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

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

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The Chief Operating Decision Maker monitors the operating results of its product 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. However, the information on additions to mine properties, land use rights, property, plant and equipment, long-term deposits, convertible loan note, derivative asset and intangible asset by operating segments is regularly provided to the Chief Operating Decision Maker. Goodwill is managed on a group basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. SEGMENT INFORMATION (CONT'D)

	Upstream		Downstream		Adjustments and eliminations		Note	Per consolidated financial statements	
	2016	2015	2016	2015	2016	2015		2016	2015
	S$'000	S$'000 (restated)	S$'000	S$'000	S$'000	S$'000		S$'000	S$'000 (restated)
Consolidated statement of comprehensive income									
Revenue – external	10,787	17,957	23,558	26,548	–	–	A	34,345	44,505
Gain on disposal of property, plant and equipment	–	–	–	–	1	26	B	1	26
Amortisation expense	(789)	(144)	(150)	(160)	–	–		(939)	(304)
Depreciation expense	(1,984)	(2,014)	(1,032)	(846)	(335)	(405)	B	(3,351)	(3,265)
Interest income	–	–	–	–	13	1,093	B	13	1,093
Net fair value gains on financial instruments	–	–	–	–	–	4,850	B	–	4,850
Termination of pre-existing contract	–	(2,429)	–	–	–	–		–	(2,429)
Segment profit/(loss) before tax	2,262	2,637	1,142	882	(5,335)	(492)	C	(1,931)	3,027
Assets									
Additions to non-current assets	3,312	71,155	493	3,586	44	704	D	3,849	75,445

Notes 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 2016

33. SEGMENT INFORMATION (CONT'D)

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

	Group	
	2016	**2015**
	S$'000	**S$'000**
Gain on disposal of property, plant and equipment	1	26
Interest income	13	1,093
Government grant and subsidy income	83	36
Net fair value gains on		
- Convertible loan note (Note 12)	–	4,200
- Derivative asset (Note 12)	–	500
- Redeemable preference shares (Note 25)	–	150
Exchange gain	244	6
Interest expense	(820)	(1,218)
Other corporate expenses	(4,856)	(5,285)
	(5,335)	(492)

Other corporate expenses include salaries and related costs, depreciation, professional fees and other office and corporate related expenses.

D Additions to non-current assets comprise additions to mine properties, land use rights, property, plant and equipment, and intangible asset.

Geographical information

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

	Group			
	2016		**2015**	
	S$'000	**%**	**S$'000**	**%**
People's Republic of China	33,783	98	43,217	97
Others	562	2	1,288	3
Total	34,345	100	44,505	100

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

	Group	
	2016	**2015**
	S$'000	**S$'000**
		(restated)
People's Republic of China	121,236	123,414
Singapore	340	401
	121,576	123,815

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

33. SEGMENT INFORMATION (CONT'D)

Geographical information (cont'd)

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

Information about major customers

	Group			
	2016		2015	
	S$'000	% of revenue	S$'000	% of revenue
Customer A [(1)]	5,636	16	13,291	30
Customer B [(2)]	1,808	5	4,987	11

(1) Upstream segment

(2) Downstream segment

Information about products

Revenue information based on products is as follows:

	Group	
	2016 S$'000	2015 S$'000
Phosphate rocks	10,787	17,957
Elemental phosphorus and its by-products	22,581	25,260
Sodium Tripolyphosphate	627	942
Sodium Hexametaphosphate	298	292
Others *	52	54
	34,345	44,505

* Others represent trading revenue from other phosphate chemicals.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

Compensation of key management personnel

	Group	
	2016 S$'000	2015 S$'000
Short-term employee benefits	1,269	1,210
Central Provident Fund contributions	48	33
	1,317	1,243
Comprise amounts paid to:		
Directors of the Company	791	699
Other key management personnel	526	544
	1,317	1,243

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with key management personnel

(a) During FY2016, the Group issued the 2016 RPS to certain investors, including Dr. Ong and Astute Ventures. Two (2) of the Company's directors, Mr Ong Eng Hock Simon and Mr Ong Eng Siew Raymond, and a key management personnel, each holds no less than 20% equity interest in Astute Ventures. For FY2016, interest expense relating to the 2016 RPS paid and payable to Dr. Ong and Astute Ventures amounted to $306,000.

(b) The Company had obtained an interest-free loan of $400,000 from Dr. Ong for the Group's general working capital purposes. As at 31 December 2016, the said loan was fully repaid to Dr. Ong. In addition, pursuant to a shareholder's loan agreement entered into between Dr. Ong and the Company on 21 December 2016, Dr. Ong has extended a loan of $1,000,000 to the Company, which is interest-free, unsecured and with a maturity period of 6 months.

(c) Pursuant to the Proposed Rights with Warrants Issue, Astute Ventures had entered into a deed of undertaking in favour of the Company and NWC, pursuant to which it has unconditionally and irrevocably undertaken that it will subscribe for 25,000,000 Rights Shares with Warrants.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are 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 on risk management policies, which are executed by the management. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

(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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures.

Customers of the Group's phosphate rocks are usually required to make advance 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 maintains strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(a) Credit risk (cont'd)

Exposure to credit risk

The carrying amounts of loans and receivables disclosed in Note 36 represent the Group's maximum exposure to credit risk.

Credit risk concentration profile

Concentrations of credit risk are managed by customers. The Group has certain concentrations of credit risk 87% (2015: 98%) as of the Group's trade receivables were due from 5 (2015: 5) customers as at 31 December 2016 and 2015.

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 and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 (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.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the financial reporting period based on contractual undiscounted payments obligations.

Group	One year or less	One to five years	Over five years	Total
	S$'000	S$'000	S$'000	S$'000
2016				
Financial assets				
Trade receivables	3,975	–	–	3,975
Other receivables	601	28	257	886
Cash and bank balances	2,588	–	–	2,588
Total undiscounted financial assets	7,164	28	257	7,449

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(b) Liquidity risk (cont'd)

Group	One year or less S$'000	One to five years S$'000	Over five years S$'000	Total S$'000
2016				
Financial liabilities				
Bank overdraft (secured)	(392)	–	–	(392)
Trade payables	(6,022)	–	–	(6,022)
Other payables	(5,569)	–	–	(5,569)
Redeemable preference shares	–	(7,595)	–	(7,595)
Loan due to a director	(1,000)	–	–	(1,000)
Interest-bearing bank loans	(7,218)	–	–	(7,218)
Total undiscounted financial liabilities	(20,201)	(7,595)	–	(27,796)
Total net undiscounted financial (liabilities)/ assets	(13,037)	(7,567)	257	(20,347)
2015				
Financial assets				
Trade receivables	4,422	–	–	4,422
Other receivables	481	28	269	778
Cash and bank balances	4,301	–	–	4,301
Total undiscounted financial assets	9,204	28	269	9,501
Financial liabilities				
Bank overdraft (secured)	(16)	–	–	(16)
Trade payables	(4,377)	–	–	(4,377)
Other payables	(6,848)	–	–	(6,848)
Redeemable preference shares	(8,050)	–	–	(8,050)
Total undiscounted financial liabilities	(19,291)	–	–	(19,291)
Total net undiscounted financial (liabilities)/ assets	(10,087)	28	269	(9,790)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(b) Liquidity risk (cont'd)

Company	One year or less S$'000	One to five years S$'000	Over five years S$'000	Total S$'000
2016				
Financial assets				
Other receivables	57	–	–	57
Amounts due from subsidiaries	4,038	–	–	4,038
Cash and bank balances	1,027	–	–	1,027
Total undiscounted financial assets	5,122	–	–	5,122
Financial liabilities				
Bank overdraft (secured)	(392)	–	–	(392)
Other payables	(145)	–	–	(145)
Loan due to a director	(1,000)	–	–	(1,000)
Amounts due to subsidiaries	(1,239)	–	–	(1,239)
Total undiscounted financial liabilities	(2,776)	–	–	(2,776)
Total net undiscounted financial assets	2,346	–	–	2,346
2015				
Financial assets				
Other receivables	40	–	–	40
Amounts due from subsidiaries	17,183	–	–	17,183
Cash and bank balances	1,018	–	–	1,018
Total undiscounted financial assets	18,241	–	–	18,241
Financial liabilities				
Bank overdraft (secured)	(16)	–	–	(16)
Other payables	(377)	–	–	(377)
Total undiscounted financial liabilities	(393)	–	–	(393)
Total net undiscounted financial assets	17,848	–	–	17,848

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, namely SGD and RMB. The foreign currency in which these transactions are denominated is mainly United States Dollars (USD).

For FY2016, approximately 3% (2015: 3%) 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. Amount denominated in currency other than the functional currencies of the respective entities at the end of reporting period are disclosed in Note 14 and 21. 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 does not enter into any hedging transactions to manage the potential fluctutations in foreign currency as the risk is monitored on an ongoing basis.

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 a PRC subsidiary. At 31 December 2016, if RMB strengthened/weakened against Singapore Dollar by 5% (2015: 5%), with all other variables held constant, the Group's net profit before tax would have decreased/increased by $213,000 (2015: decreased/increased by $214,000).

The Group is also exposed to currency translation risk arising from its net investment in PRC operations. The Group's net investments in PRC is not hedged as currency position in RMB is 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 subsidiaries are disposed.

The RMB is not freely convertible. Under the PRC foreign exchange rules and regulations, payments of current account items, including profit distributions, interest payments and expenditures related to business operations, are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange controls continue to apply to capital account transactions. Capital account transactions must be registered with and approved by the State Administration for Foreign Exchange of the PRC. Repayments of loan principal, distributions of returns on direct capital investment and investments in negotiable instruments are also subject to restrictions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. 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	Loans and receivables S$'000	Financial liabilities at amortised cost S$'000	Non-financial assets/ (liabilities) S$'000	Total S$'000
2016				
Assets				
Mine properties	–	–	65,133	65,133
Land use rights	–	–	4,535	4,535
Property, plant and equipment	–	–	38,619	38,619
Prepayments	–	–	1,799	1,799
Other receivables	886	–	–	886
Goodwill	–	–	12,249	12,249
Deferred tax asset	–	–	64	64
Stocks	–	–	7,941	7,941
Trade receivables	3,975	–	–	3,975
Cash and bank balances	2,588	–	–	2,588
	7,449	–	130,340	137,789
Liabilities				
Bank overdraft (secured)	–	(392)	–	(392)
Trade payables	–	(6,022)	–	(6,022)
Other payables	–	(5,569)	–	(5,569)
Advances from customers	–	–	(455)	(455)
Interest bearing bank loans	–	(7,086)	–	(7,086)
Provision for taxation	–	–	(556)	(556)
Redeemable preference shares	–	(5,725)	–	(5,725)
Loan due to a director	–	(1,000)	–	(1,000)
Deferred tax liabilities	–	–	(17,506)	(17,506)
Deferred income	–	–	(2,237)	(2,237)
Provision for rehabilitation	–	–	(170)	(170)
	–	(25,794)	(20,924)	(46,718)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

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

Classification of financial instruments (cont'd)

Group	Fair value through profit or loss S$'000	Loans and receivables S$'000	Financial liabilities at amortised cost S$'000	Non-financial assets/ (liabilities) S$'000	Total S$'000
2015 (restated)					
Assets					
Mine properties	–	–	–	65,882	65,882
Land use rights	–	–	–	4,845	4,845
Property, plant and equipment	–	–	–	39,898	39,898
Intangible asset	–	–	–	57	57
Goodwill	–	–	–	12,249	12,249
Stocks	–	–	–	2,728	2,728
Trade receivables	–	4,422	–	–	4,422
Other receivables	–	778	–	–	778
Prepayments	–	–	–	1,650	1,650
Cash and bank balances	–	4,301	–	–	4,301
	–	9,501	–	127,309	136,810
Liabilities					
Bank overdraft (secured)	–	–	(16)	–	(16)
Trade payables	–	–	(4,377)	–	(4,377)
Other payables	–	–	(6,848)	–	(6,848)
Advances from customers	–	–	–	(247)	(247)
Provision for taxation	–	–	–	(1,062)	(1,062)
Redeemable preference shares	(8,050)	–	–	–	(8,050)
Deferred tax liabilities	–	–	–	(17,905)	(17,905)
Deferred income	–	–	–	(2,407)	(2,407)
Provision for rehabilitation	–	–	–	(177)	(177)
	(8,050)	–	(11,241)	(21,798)	(41,089)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Classification of financial instruments (cont'd)

Company	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets/ (liabilities)	Total
	S$'000	S$'000	S$'000	S$'000
2016				
Assets				
Investment in subsidiaries	–	–	72,311	72,311
Other receivables	57	–	–	57
Prepayments	–	–	38	38
Amounts due from subsidiaries	4,038	–	–	4,038
Cash and bank balances	1,027	–	–	1,027
	5,122	–	72,349	77,471
Liabilities				
Bank overdraft (secured)	–	(392)	–	(392)
Other payables	–	(145)	–	(145)
Loan due to a director	–	(1,000)	–	(1,000)
Amounts due to subsidiaries	–	(1,239)	–	(1,239)
	–	(2,776)	–	(2,776)
2015				
Assets				
Investment in subsidiaries	–	–	59,022	59,022
Other receivables	40	–	–	40
Prepayments	–	–	143	143
Amounts due from subsidiaries	17,183	–	–	17,183
Cash and bank balances	1,018	–	–	1,018
	18,241	–	59,165	77,406
Liabilities				
Bank overdraft (secured)	–	(16)	–	(16)
Other payables	–	(377)	–	(377)
	–	(393)	–	(393)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. 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.

(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**	**Level 2**	**Level 3**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
2015				
Financial liabilities				
Fair value through profit or loss				
Redeemable preference shares (Note 25)	–	–	(8,050)	(8,050)

There was no financial liability measured at fair value as at 31 December 2016. There has been no transfer between Level 1, Level 2 and Level 3 for the Group for the years ended 31 December 2016 and 2015.

(c) Level 3 fair value measurements

(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):

Description	**Fair value S$'000**	**Valuation techniques**	**Unobservable inputs**	**Range**
2015				
2014 RPS	(8,050)	Discounted Cash Flow Method	Discount rate	11%

For redeemable preference shares, a significant increase/(decrease) in discount rate would result in a significant lower/(higher) fair value measurement. For 31 December 2015, a significant increase/(decrease) in discount rate would not result in a significant lower/(higher) fair value measurement as the 2014 RPS were fully redeemed on 26 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(c) Level 3 fair value measurements (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	Derivative asset	Redeemable preference shares	Total
	S$'000	S$'000	S$'000	S$'000
At 1 January 2016	–	–	(8,050)	(8,050)
Redeemed during the year	–	–	8,050	8,050
At 31 December 2016	–	–	–	–
At 1 January 2015	23,077	13,326	(8,200)	28,203
Fair value gain recognised in profit or loss (Note 6)	4,200	500	150	4,850
Transfer to investment in subsidiaries (Note 17)	(27,277)	(13,826)	–	(41,103)
At 31 December 2015	–	–	(8,050)	(8,050)

(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 who possess the relevant credentials and knowledge on the subject of valuation to perform the valuation, if necessary. 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.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to the actual market transactions that are relevant if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

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.

(d) Fair value of assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and bank balances, current trade and other receivables, trade and other payables, bank overdraft (secured), interest-bearing bank loans, loan due to a director and amounts due from/(to) subsidiaries reasonably approximate their fair values because these are mostly short-term in nature or are re-priced frequently.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

38. COMMITMENTS

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 10, the Group has entered into operating leases on its office premises. These leases for the office premise were negotiated for terms of one to three years and certain leases have renewal options. Lease terms do not provide for contingent rents and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

At 31 December, the Group has total future minimum lease payments under non-cancellable operating leases (excluding land use rights) as follows:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Within one year	79	112
Between one to two years	–	79
	79	191

Minimum lease payments excluding amortisation of land use rights recognised as an expense in profit or loss for FY2016 amounted to $112,000 (2015: $112,000).

(b) Corporate guarantee

The Company has provided a corporate guarantee for a bank loan of $5,002,000 (RMB 24,000,000) (2015: Nil) (Note 24) drawn down by its subsidiaries.

39. CAPITAL MANAGEMENT

Capital includes debt and equity items as discussed in the table below.

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. No changes were made in the objectives or processes during FY2016 and FY2015.

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 (secured), trade and other payables, advances from customers, interest-bearing bank loan, redeemable preference shares, loan due to a director, less cash and bank balances. Capital includes equity attributable to the owners of the Company, excluding non-controlling interest. During FY2016, the capital management policy of the Group is to keep the gearing ratio below 40% (2015: 40%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

39. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2016	**2015**
	S$'000	**S$'000**
Bank overdraft (secured)	392	16
Trade payables	6,022	4,377
Other payables	5,569	6,848
Advances from customers	455	247
Interest-bearing bank loans	7,086	–
Redeemable preference shares	5,725	8,050
Loan due to a director	1,000	–
Less: Cash and bank balances	(2,588)	(4,301)
Net debt	23,661	15,237
Total capital	81,608	86,258
Capital and net debt	105,269	101,495
Gearing ratio	22.5%	15.0%

40. DIVIDENDS

	Group and Company	
	2016	**2015**
	S$'000	**S$'000**
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the forthcoming annual general meeting		
- Final exempt (one-tier) dividend for 2016: Nil (2015: 0.1 cent per share)	–	901

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

41. RESTATEMENT AND RECLASSIFICATION OF PRIOR YEAR FINANCIAL STATEMENT

As mentioned in Note 17, the purchase price allocation exercise for the acquisition of LYR Group in FY2015 was completed during FY2016. The fair value of the identifiable assets and liabilities as at 31 December 2015 has been restated to reflect the finalised valuation. The effects of the restatement are as follows:

	Group 2015		
	Previously stated	**Adjustments**	**Restated**
	S$'000	**$'000**	**$'000**
Mine properties	72,329	(6,447)	65,882
Property, plant and equipment	39,856	42	39,898
Goodwill	8,271	3,978	12,249
Deferred tax liabilities	(19,506)	1,601	17,905
Non-controlling interest	(10,289)	826	(9,463)

Certain disclosures of 2015 comparatives have been reclassified to conform with 2016's presentation.

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Interest-bearing bank loans

On 12 January 2017, the Group has successfully rolled over two existing interest-bearing bank loans which were due in January 2017. The principal value of the loans is $2,084,000 (RMB10,000,000), with interest of 6.25% per annum. The new loans will expire in January 2018.

(b) Proposed Rights cum Warrants Issue

On 30 December 2016, the Company proposed a renounceable non-underwritten rights issue (the "Proposed Rights cum Warrants Issue"). The Proposed Rights cum Warrants Issue is subject to:

(i) the receipt of the listing and quotation notice from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares, the Warrants and the New Shares on Catalist Board of the SGX-ST (the "Catalist Board");

(ii) the lodgment of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Proposed Rights cum Warrants Issue with the SGX-ST, acting as an agent on behalf of the Monetary Authority of Singapore ("MAS"); and

(iii) the receipt of the other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Proposed Rights cum Warrants Issue and to give effect to the Proposed Rights cum Warrants Issue being obtained and not having been revoked or amended.

On 16 February 2017, the Company received the listing and quotation notice from the SGX-ST for the listing of, and quotation for, up to 112,664,875 Rights Shares, up to 112,664,875 Warrants and up to 112,664,875 New Shares on Catalist Board, subject to the following conditions:

(i) the Company's compliance with the SGX-ST's listing requirements; and

(ii) submission of a confirmation that a sufficient spread in the Warrants as required under Rule 826 of the Catalist Rules is complied with.

On 1 March 2017, the Company lodged the Offer Information Statement with the SGX-ST acting as agent on behalf of the MAS.

On 24 March 2017, the Company completed the issuance of 112,664,875 Rights Shares and 112,664,875 Warrants.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(c) Proposed Redemption and settlement of loan due to a director

On 21 March 2017, the Company announced that the Rights cum Warrants Issue was oversubscribed. As there are insufficient Rights Shares with Warrants to satisfy the allotment and issuance to certain 2016 RPS Holders for the redemption of their respective NWC Preference Shares in full, the value (based on the Issue Price) of the shortfall of the Rights Shares with Warrants required to fully redeem their respective NWC Preference Shares shall be paid in cash by NWC to them pursuant to the Deed.

On 24 March 2017, being the date of allotment and issuance of the Rights Shares with Warrants, $4,322,000 of the 2016 RPS and $533,000 of the Dr. Ong Loan were settled via issuance of Rights Shares. The remaining balances of $1,403,000 of the 2016 RPS and $467,000 of the Dr. Ong Loan (collectively, the "Remaining Balances") will be fully repaid by the Company from net proceeds of the Rights cum Warrants Issue.

On 29 March 2017, the Remaining Balances were fully repaid in cash.

(d) Receipt of renewal of Mine 1 mining license

On 3 March 2017, the Company's subsidiary, Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd received the approval for renewal of mining license for Mine 1 from the Sichuan Land and Resource Department. The renewed Mine 1 mining right is valid from December 2016 to February 2018 with an approved production scale of 50,000 tonnes per year.

43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 31 March 2017.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 March 2017)

	Name of Substantial Shareholder	No. of Shares (Direct interest)	% (1)	No. of Shares (Deemed interest)	% (1)
1.	Astute Ventures Pte. Ltd. ("**Astute Ventures**") (5)(7)(8)(9)	-	-	245,025,455	27.19
2.	FICA (Pte.) Ltd. ("**FICA**") (2)	205,025,455	22.75	-	-
3.	Dr. Ong Hian Eng ("**Dr. Ong**") (2)(3)(4)	8,021,684	0.89	215,233,492	23.88
4.	Ong Bee Kuan Melissa (4)(5)(9)	5,367,190	0.60	245,025,455	27.19
5.	Ong Eng Hock Simon (4)(5)(9)	2,919,306	0.32	245,025,455	27.19
6.	Ong Eng Siew Raymond (4)(5)(6)(9)	2,919,306	0.32	246,374,186	27.33
7.	Ong Kwee Eng (7)(9)	16,318,265	1.81	245,025,455	27.19
8.	Ng Siew Tin (8)(9)	6,717,959	0.75	245,025,455	27.19
9.	Luo Yong	101,319,000	11.24	-	-

Notes:

(1) Based on the issued share capital of 901,319,000 ordinary shares in the capital of the Company ("Shares") as at 16 March 2017.

(2) FICA is controlled by Dr. Ong and he is therefore deemed to be interested in the 205,025,455 Shares held by FICA.

(3) Dr. Ong is also deemed to be interested in the 10,208,037 Shares held by his spouse.

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

(5) Ong Eng Hock Simon, Ong Eng Siew Raymond and Ong Bee Kuan Melissa are siblings. As they are 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, they are deemed to be interested in the 245,025,455 Shares held by Astute Ventures.

(6) Ong Eng Siew Raymond is also deemed to be interested in the 1,348,731 Shares held by his spouse.

(7) Ong Kwee Eng is entitled to exercise not less than 20% of the votes attached to the voting shares in the share capital of Astute Ventures and therefore deemed to be interested in the 245,025,455 Shares held by Astute Ventures.

(8) Ng Siew Tin is entitled to exercise not less than 20% of the votes attached to the voting shares in the share capital of Astute Ventures and therefore deemed to be interested in the 245,025,455 Shares held by Astute Ventures.

(9) The shareholders of Astute Ventures are Ong Eng Hock Simon, Ong Eng Siew Raymond, Ong Bee Kuan Melissa, and their parents, Ong Kwee Eng and Ng Siew Tin, each holding 20% of Astute Ventures' share capital. The Shares held by Astute Ventures are held through its nominee, Raffles Nominee Pte. Ltd..

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2017

Issued and fully paid-up capital	:	S$69,596,469.00
Number of ordinary shares in issue (excluding treasury shares)	:	901,319,000
Number of treasury shares held	:	Nil
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	116	12.62	45,777	0.01
1,001 - 10,000	166	18.06	1,161,500	0.13
10,001 - 1,000,000	592	64.42	60,675,594	6.73
1,000,001 AND ABOVE	44	4.79	839,436,106	93.13
TOTAL	**919**	**100.00**	**901,319,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	288,379,475	32.00
2	FICA (PTE) LTD	205,025,455	22.75
3	LUO YONG	101,319,000	11.24
4	WYY INVESTMENT HOLDINGS PTE LTD	44,985,861	4.99
5	ONG BEE PHENG (WANG MEIPING)	29,408,037	3.26
6	ONG ENG KEONG (WANG RONGKANG)	29,408,037	3.26
7	HWA HONG EDIBLE OIL INDUSTRIES PTE LTD	24,452,384	2.71
8	GRACE KONG SOU HUI	9,408,037	1.04
9	CITIBANK NOMINEES SINGAPORE PTE LTD	9,143,239	1.01
10	KONG SOU YAN	8,825,800	0.98
11	UOB KAY HIAN PRIVATE LIMITED	7,916,400	0.88
12	OCBC SECURITIES PRIVATE LIMITED	5,756,400	0.64
13	ONG BEE KUAN MELISSA (WANG MEIJUAN MELISSA)	5,367,190	0.60
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,341,700	0.59
15	PHILLIP SECURITIES PTE LTD	3,773,600	0.42
16	HENG PAUL STEPHEN	3,736,000	0.41
17	CHIA CHIN HAU	3,687,366	0.41
18	LIU JUNHANG	3,525,962	0.39
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,306,400	0.37
20	LEE SOO HIAN JAMES	3,196,192	0.35
	TOTAL	**795,962,535**	**88.30**

PUBLIC FLOAT

Based on the information available to the Company as at 16 March 2017, approximately 18.50% of the issued ordinary shares of the Company is held by the public. Accordingly the Company has complied with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of AsiaPhos Limited (the "**Company**") will be held at Edelweiss Room (Level 3), Aperia, 10 Kallang Avenue, Singapore 339510, on Wednesday, 26 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the audited financial statements of the Company for the financial year ended 31 December 2016 together with the Independent Auditors' Report thereon.
(Resolution 1)

2. To re-elect the following directors of the Company (the "**Directors"**) who are retiring pursuant to Article 88 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:

   Mr. Ong Eng Siew Raymond **(Resolution 2)**
   Mr. Goh Yeow Tin **(Resolution 3)**

   [See Explanatory Note (i)]

3. To approve the Directors' fees of S$240,000 for the financial year ending 31 December 2017, payable quarterly in arrears. (2016: S$240,000)
(Resolution 4)

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

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

6. **Authority to issue shares in the capital of the Company and/or Instruments (as defined herein)**

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

   (a) (i) allot and 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 may in their absolute discretion deem fit; and

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

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) to be issued pursuant to this Ordinary Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be

NOTICE OF ANNUAL GENERAL MEETING

issued in pursuance of the Instruments made or granted pursuant to this Ordinary Resolution) to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) 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) shall be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of this Ordinary 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 Ordinary 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 Ordinary 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 SGX-ST) and the Constitution 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (ii)] **(Resolution 6)**

7. **Authority to allot and issue Shares under the AsiaPhos Performance Share Plan**

That pursuant to Section 161 of the Companies Act, the Directors 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 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) on the day preceding the relevant date of the award.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Kenneth Leong
Company Secretary
Singapore,
11 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Ong Eng Siew Raymond, upon re-election as a Director, will remain as a Non-Executive Director.

Mr. Goh Yeow Tin, upon re-election as a Director, will remain as the Chairman of the Nominating Committee and the Remuneration Committee of the Company and a member of the Audit Committee of the Company. The Board of Directors of the Company (the "**Board**"), save for Goh Yeow Tin, considers him independent for the purposes of Rule 704(7) of the Catalist Rules.

The profiles of the above-mentioned Directors can be found under the sections entitled "Board of Directors" and "Corporate Governance Report" in the Annual Report 2016.

(ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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), of which up to fifty per centum (50%) may be issued other than on a *pro-rata* basis to existing shareholders of the Company.

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) 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.

(iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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 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) from time to time. This authority is in addition to the general authority to issue Shares sought under Ordinary Resolution 6 in item 6 above.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one (1) or two (2) proxies to attend and vote at the AGM 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.

   (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING

4. Personal data privacy:

   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company 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 processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (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.

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

ASIAPHOS LIMITED
Company Registration No.201200335G
(Incorporated In the Republic of Singapore)

IMPORTANT:

A relevant intermediary may appoint more than two (2) proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ____________________________ [Name] ________________ [*NRIC/Passport No.]

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

Name	*NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing whom, the Chairman of the Annual General Meeting ("**AGM**") of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the AGM of the Company to be held at Edelweiss Room (Level 3), Aperia, 10 Kallang Avenue, Singapore 339510, on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the AGM of the Company as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the AGM of the Company and at any adjournment thereof.

No.	Ordinary Resolutions relating to:	Number of Votes For(1)	Number of Votes Against(1)
1	Receiving and adopting the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Independent Auditors' Report thereon		
2	Re-election of Mr. Ong Eng Siew Raymond as a Director		
3	Re-election of Mr. Goh Yeow Tin as a Director		
4	Approval of Directors' fees amounting to S$240,000 for the year ending 31 December 2017, payable quarterly in arrears		
5	Re-appointment of Ernst & Young LLP as Independent Auditors of the Company		
6	Authority to issue new Shares and/or Instruments		
7	Authority to allot and issue Shares under the AsiaPhos Performance Share Plan		

(1) If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ______ day of ______________ 2017

____
Signature of Member(s)
or, Common Seal of Corporate Member

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

*Delete where inapplicable

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 81SF of the Securities and Futures Act, Chapter 289), 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, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy, failing which the nomination shall be deemed to be alternative.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds Shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of Shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those Shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM of the Company. 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 AGM of the Company.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the AGM of the Company.

7. 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.

8. 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 AGM of the Company, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. An investor who buys shares using SRS monies may attend and cast his/her vote(s) at the AGM of the Company in person. SRS Investors who are unable to attend the AGM of the Company but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM of the Company to act as their proxy, in which case, the SRS Investors shall be precluded from attending the AGM of 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 AGM dated 11 April 2017.

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 72 hours before the time appointed for holding the AGM of the Company, as certified by The Central Depository (Pte) Limited to the Company.

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

Leong Chee Meng, Kenneth

REGISTERED OFFICE

50 Raffles Place
#32-01 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
Yong Kok Keong
Date of appointment: With effect from financial year ended 31 December 2015

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

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

SPD Rural Bank

浦发村镇银行
四川省绵竹市城东新区苏绵大道55号
55 Sumiandadao Chengdong New Zone
Mianzhu City
Sichuan Province
People's Republic of China 618200

INVESTOR RELATIONS

August Consulting

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

ASIAPHOS LIMITED

10 Kallang Avenue
Aperia, #05-11
Singapore 339510
Tel: +65 6292 3119
Fax: +65 6292 3122

www.asiaphos.com