ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

Background

AsiaPhos Limited (the "**Company**"), and together with its subsidiaries, (the "**Group**") was listed on the Catalist Board (the "**Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 7 October 2013. The initial public offering (the "**IPO**") of the Company was sponsored by United Overseas Bank Limited (the "**Sponsor**"). The Company, incorporated in Singapore under the Singapore Companies Act on 3 January 2012, is the first Singapore-headquartered mineral resources company listed on the SGX-ST which is solely focused on exploring and mining phosphate in the People's Republic of China (the "**PRC**") with the ability to manufacture and produce phosphate-based chemical products.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR SECOND QUARTER ENDED 30 JUNE 2017

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	Second Quarter Ended 30 June			Six Months Ended 30 June		
	2017	2016	Change	2017	2016	Change
	$'000	$'000	%	$'000	$'000	%
Revenue	16,079	9,606	67	28,201	11,588	143
Cost of sales	(12,842)	(7,711)	67	(23,292)	(9,200)	153
Gross profit	3,237	1,895	71	4,909	2,388	106
Other income	80	99	(19)	178	167	7
Selling and distribution costs	(441)	(86)	413	(762)	(165)	362
General and adminstrative costs	(1,601)	(1,345)	19	(2,710)	(2,558)	6
Finance costs	(105)	(197)	(47)	(323)	(381)	(15)
Profit/(loss) before tax	1,170	366		1,292	(549)	
Taxation	(380)	-	N.M.	(380)	-	N.M.
Profit/(loss) for the period	790	366		912	(549)	
Other comprehensive income						
Items that may be recycled to profit or loss						
Foreign currency translation gain/(loss)	211	(1,239)	N.M.	(1,041)	(3,154)	(67)
Total comprehensive income for the period	1,001	(873)		(129)	(3,703)	
Profit/(loss) for the period attributable to:						
Owners of the Company	790	366		912	(549)	
Non-controlling interest	-	-		-	-	
	790	366		912	(549)	
Total comprehensive income for the period attributable to:						
Owners of the Company	1,001	(873)		(129)	(3,703)	
Non-controlling interest	-	-		-	-	
	1,001	(873)		(129)	(3,703)	

"N.M." denotes not meaningful.

Foreign currency translation gain/(loss) represents exchange differences arising from translation of the financial statements of our PRC subsidiaries whose functional currency (Renminbi, "**RMB**") is different from that of the Group's presentation currency (Singapore Dollar, "**SGD**", "**$**"). The Group's net investment in PRC is not hedged as currency positions in RMB are considered to be long-term in nature. Such translation gains/(losses) are of unrealised nature and do not impact current year profit/(loss) unless the underlying assets or liabilities of the PRC subsidiaries are disposed of.

In the second quarter ended 30 June 2017 ("**2Q2017**"), the Group recorded translation gain of $0.2 million due to the weakening of SGD against RMB.

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

The Group's profit/(loss) before tax was arrived at after (charging)/crediting the following:

	Group					
	Second Quarter Ended 30 June			Six Months Ended 30 June		
	2017	2016	Change	2017	2016	Change
	$'000	$'000	%	$'000	$'000	%
Interest income	13	2	550	18	6	200
Interest expenses	(108)	(193)	(44)	(315)	(373)	(16)
Amortisation and depreciation #	(119)	(168)	(29)	(296)	(470)	(37)
Gain on disposal of property, plant and equipment	-	-	N.M.	-	1	N.M.
Foreign exchange gain/(loss) *	(67)	100	N.M.	134	358	(63)
Overprovision of prior years' taxation	80	-	N.M.	80	-	N.M.

"N.M." denotes not meaningful.
* Included in general and administrative costs
# Included in selling and distribution costs and general and administrative costs

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at		As at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	$'000	$'000	$'000	$'000
Non-current assets				
Mine properties	65,015	65,133	-	-
Land use rights	4,382	4,535	-	-
Property, plant and equipment	37,512	38,619	-	-
Prepayments	524	691	-	-
Other receivables	278	285	-	-
Goodwill	12,249	12,249	-	-
Deferred tax asset	527	64	-	-
Investment in subsidiaries	-	-	78,036	72,311
	120,487	121,576	78,036	72,311
Current assets				
Stocks	9,584	7,941	-	-
Trade receivables	4,730	3,975	-	-
Other receivables	685	601	66	57
Prepayments	2,395	1,108	338	38
Cash and bank balances	3,622	2,588	1,322	1,027
Amounts due from subsidiaries	-	-	6,346	4,038
	21,016	16,213	8,072	5,160
Total assets	141,503	137,789	86,108	77,471
Current liabilities				
Bank overdraft (secured)	88	392	88	392
Trade payables	9,876	6,022	-	-
Other payables	5,151	5,569	385	145
Advance payments from customers	1,687	455	-	-
Interest-bearing bank loans	3,867	7,086	-	-
Loan due to a director	-	1,000	-	1,000
Deferred income	17	35	-	-
Provision for taxation	784	556	-	-
Amounts due to subsidiaries	-	-	2,883	1,239
	21,470	21,115	3,356	2,776
Net current assets/(liabilities)	(454)	(4,902)	4,716	2,384
Non-current liabilities				
Redeemable preference shares	-	5,725	-	-
Deferred tax liabilities	17,709	17,506	-	-
Deferred income	2,086	2,202	-	-
Provision for rehabilitation	166	170	-	-
	19,961	25,603	-	-
Total liabilities	41,431	46,718	3,356	2,776
Net assets	**100,072**	**91,071**	**82,752**	**74,695**
Equity attributable to owners of the Company				
Share capital	77,281	68,151	77,281	68,151
Reserves	13,328	13,457	5,471	6,544
	90,609	81,608	82,752	74,695
Non-controlling interest	9,463	9,463	-	-
Total equity	**100,072**	**91,071**	**82,752**	**74,695**

(1)(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	Group			
	30 June 2017		**31 December 2016**	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	$'000	**$'000**	**$'000**	**$'000**
Amount repayable				
In one year or less, or on demand	3,955	-	7,478	1,000
After one year	-	-	-	5,725
	3,955	-	7,478	6,725

Details of collaterals

As at 30 June 2017, the Group pledged certain land use rights and certain property, plant and equipment of the Group, with net book value of RMB21.5 million (approximately $4.4 million) and RMB73.3 million (approximately $14.9 million) respectively, as collaterals. The Company has also provided a corporate guarantee for a bank loan of RMB24.0 million (approximately $4.9 million).

As at 31 December 2016, the Group pledged certain land use rights and certain property, plant and equipment of the Group, with net book value of RMB21.8 million (approximately $4.5 million) and RMB74.9 million (approximately $15.6 million) respectively, as collaterals. The Company has also provided a corporate guarantee for a bank loan of RMB24.0 million (approximately $5.0 million).

An amount of $1.0 million of the Company's fixed deposits was also pledged as collateral for bank overdraft facility as at 30 June 2017 and 31 December 2016.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	Second Quarter Ended 30 June		Six Months Ended 30 June	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash flows from operating activities :				
Profit/(Loss) before taxation	1,170	366	1,292	(549)
Adjustments for :				
Depreciation expenses	1,598	1,180	2,205	1,684
Gain on disposal of property, plant and equipment	-	-	-	(1)
Amortisation expenses	78	354	161	428
Interest expense	108	193	315	373
Interest income	(13)	(2)	(18)	(6)
Unrealised exchange loss/(gain)	38	(65)	(192)	(336)
Amortisation of deferred income	(51)	(33)	(81)	(42)
Operating profit/(loss) before working capital changes	2,928	1,993	3,682	1,551
(Increase)/decrease in stocks	(4,019)	(4,311)	(1,824)	(5,464)
(Increase)/decrease in receivables	(6,695)	(5,162)	(5,185)	(2,538)
Increase/(decrease) in payables	8,951	6,716	7,027	4,921
Cash generated from/(used in) operations	1,165	(764)	3,700	(1,530)
Interest received	13	2	18	6
Interest paid	(108)	(79)	(504)	(899)
Tax paid	(378)	(504)	(378)	(703)
Net cash flows generated from/(used in) operating activities	692	(1,345)	2,836	(3,126)
Cash flows from investing activities :				
Payments for property, plant and equipment	(247)	(1,134)	(821)	(2,234)
Receipt of government grant	-	-	-	58
Proceeds from disposal of property, plant and equipment	-	-	-	1
Net cash flows used in investing activities	(247)	(1,134)	(821)	(2,175)
Cash flows from financing activities :				
Repayment of bank loan	(3,051)	-	(3,051)	-
Net proceeds from rights cum warrants issue	-	-	4,158	-
Proceeds from exercise of warrants	401	-	401	-
Payments of share issuance expense	(169)	-	(284)	(32)
Proceeds from issue of redeemable preference shares	-	-	-	4,000
Redemption of redeemable preference shares	-	-	(1,403)	(6,325)
Increase in pledged deposits	(2)	(1)	(3)	(5)
Dividends paid	-	(901)	-	(901)
Repayment of loan due to a director	-	-	(467)	-
Proceeds from bank loan	-	3,286	-	5,430
Net cash flows generated from/(used in) financing activities	(2,821)	2,384	(649)	2,167
Net increase/(decrease) in cash and cash equivalents	(2,376)	(95)	1,366	(3,134)
Cash and cash equivalents at beginning of period	4,700	(10)	1,012	3,098
Effects of exchange rate changes on cash and cash equivalents	23	4	(31)	(65)
Cash and cash equivalents at end of period	2,347	(101)	2,347	(101)

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

	Group	
	As at 30 June	
	2017	2016
	$'000	$'000
Cash and bank balances	3,622	2,002
Less: bank overdraft (secured)	(88)	(923)
Less : pledged deposits	(1,187)	(1,180)
Cash and cash equivalents at end of period	2,347	(101)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Merger reserve	Retained earnings	Foreign currency translation reserve	Safety fund surplus reserve	Total reserves	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017								
Balance at 1 January 2017	68,151	850	9,517	2,234	856	13,457	9,463	91,071
Issue of new ordinary shares	9,013	-	-	-	-	-	-	9,013
Share issuance expenses	(142)	-	-	-	-	-	-	(142)
Total comprehensive income for the period	-	-	122	(1,252)	-	(1,130)	-	(1,130)
Transfer to safety fund surplus reserve	-	-	(14)	-	14	-	-	-
Utilisation of safety fund surplus reserve	-	-	24	-	(24)	-	-	-
Balance at 31 March 2017	77,022	850	9,649	982	846	12,327	9,463	98,812
Issue of new ordinary shares	401	-	-	-	-	-	-	401
Share issuance expenses	(142)	-	-	-	-	-	-	(142)
Total comprehensive income for the period	-	-	790	211	-	1,001	-	1,001
Transfer to safety fund surplus reserve	-	-	(272)	-	272	-	-	-
Utilisation of safety fund surplus reserve	-	-	74	-	(74)	-	-	-
Balance at 30 June 2017	77,281	850	10,241	1,193	1,044	13,328	9,463	100,072
2016								
Balance at 1 January 2016	68,151	850	12,627	4,249	381	18,107	10,289	96,547
Total comprehensive income for the period	-	-	(915)	(1,915)	-	(2,830)	-	(2,830)
Transfer to safety fund surplus reserve	-	-	(48)	-	48	-	-	-
Balance at 31 March 2016	68,151	850	11,664	2,334	429	15,277	10,289	93,717
Total comprehensive income for the period	-	-	366	(1,239)	-	(873)	-	(873)
Dividends paid	-	-	(901)	-	-	(901)	-	(901)
Adjustment to fair value of net identifiable assets acquired	-	-	-	-	-	-	(826)	(826)
Transfer to safety fund surplus reserve	-	-	(250)	-	250	-	-	-
Utilisation of safety fund surplus reserve	-	-	155	-	(155)	-	-	-
Balance at 30 June 2016	68,151	850	11,034	1,095	524	13,503	9,463	91,117

Company	Share capital $'000	Retained earnings $'000	Total reserves $'000	Total equity $'000
2017				
Balance at 1 January 2017	68,151	6,544	6,544	74,695
Issue of new ordinary shares	9,013	-	-	9,013
Share issuance expenses	(142)	-	-	(142)
Total comprehensive income for the period	-	(395)	(395)	(395)
Balance at 31 March 2017	77,022	6,149	6,149	83,171
Issue of new ordinary shares	401	-	-	401
Share issuance expenses	(142)	-	-	(142)
Total comprehensive income for the period	-	(678)	(678)	(678)
Balance at 30 June 2017	77,281	5,471	5,471	82,752
2016				
Balance at 1 January 2016	68,151	8,862	8,862	77,013
Total comprehensive income for the period	-	(67)	(67)	(67)
Balance at 31 March 2016	68,151	8,795	8,795	76,946
Total comprehensive income for the period	-	(104)	(104)	(104)
Dividends paid	-	(901)	(901)	(901)
Balance at 30 June 2016	68,151	7,790	7,790	75,941

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

As at 31 March 2017, the number of issued ordinary shares of the Company ("**Shares**") (excluding treasury shares) was 1,013,983,875.

During 2Q2017, the Company issued 5,012,500 new Shares pursuant to the exercise of 5,012,500 warrants. As such, as at 30 June 2017, the number of issued Shares (excluding treasury shares) was 1,018,996,375.

As at 30 June 2017, the Company had 107,652,375 outstanding warrants, exercisable into 107,652,375 new Shares, representing approximately 10.56% of the total number of Shares (excluding treasury shares). As at 30 June 2016, the Company had no outstanding convertible instruments.

As at 30 June 2016 and 30 June 2017, the Company did not hold any treasury shares and there were no subsidiary holdings.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	30 June 2017	**31 December 2016**
Total number of issued shares (excluding treasury shares)	1,018,996,375	901,319,000

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited nor reviewed by the auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Paragraph 5, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company have adopted the new and revised Singapore Financial Reporting Standards ("**FRS**") and Interpretations of Financial Reporting Standards ("**INT FRS**") that are mandatory for the financial period beginning on 1 January 2017. The adoption of these new/revised FRS, INT FRS and amendments to FRS has no material impact on the financial performance or position of the Group and the Company.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**
(a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).

	Group			
	Second Quarter Ended 30 June		Six Months Ended 30 June	
	2017	2016 ^	2017	2016 ^
Earnings/(loss) attributable to owners of the Company used in the computation of basic earnings per share ($'000)	790	366	912	(549)
Weighted average number of ordinary shares for basic earnings per share ('000)	1,015,940	901,319	963,303	901,319
Basic earnings/(loss) per share (cents)	0.08	0.04	0.09	(0.06)
Earnings/(loss) attributable to owners of the Company used in the computation of diluted earnings per share ($'000)	790	366	912	(549)
Weighted average number of ordinary shares for basic earnings per share ('000)	1,015,940	901,319	963,303	901,319
Effects of dilution				
- Exercise of warrants ('000)	14,373	-	7,792	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,030,313	901,319	971,095	901,319
Diluted earnings/(loss) per share (cents)	0.08	0.04	0.09	(0.06)

^ As at 30 June 2016, there were no dilutive instruments. The fully diluted earnings/(loss) per share was therefore the same as the basic earnings/(loss) per share for the six months ended 30 June 2016 and second quarter ended 30 June 2016 ("**2Q2016**").

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group As at		Company As at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Net asset value ($'000)	100,072	91,071	82,752	74,695
Number of ordinary shares ('000)	1,018,996	901,319	1,018,996	901,319
Net asset value per ordinary share (cents)	9.82	10.10	8.12	8.29

The net asset value of the Group did not take into account the fair market value of the mining and exploration rights of Mine 1 and Mine 2 and the elemental phosphorous ("**P_4**") plant as these were recorded on historical cost basis. Note - as at 31 March 2013, the independent valuation of the mining and exploration rights of Mine 1 and Mine 2 and P_4 plant was RMB1.3 billion (approximately S$265 million based on an assumed exchange rate of $1: RMB4.914).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The figures in this section are approximate figures and where applicable, have been rounded to the nearest one (1) decimal place.

The Group is organised into product units as follows:

(a) upstream segment relates to the business of exploration, mining and sale of phosphate rocks (the "**Upstream Segment**"); and

(b) downstream segment relates to the business of manufacturing, sale and trading of phosphate-based chemicals products such as P_4, sodium tripolyphosphate ("**STPP**") and sodium hexametaphosphate ("**SHMP**"); and the sale of P_4 by-products, such as slag, sludge and ferrophosphate (the "**Downstream Segment**").

Profit or loss

Revenue, cost of goods sold and gross profit

	Group		
	2Q2017	**2Q2016**	**Change**
	$'000	**$'000**	**%**
Revenue			
Upstream segment	2,494	3,572	(30)
Downstream segment	13,585	6,034	125
Total	16,079	9,606	67
Cost of goods sold			
Upstream segment	1,778	2,673	(33)
Downstream segment	11,064	5,038	120
Total	12,842	7,711	67
Gross profit margin			
Upstream segment	29%	25%	
Downstream segment	19%	17%	
Overall	20%	20%	

Revenue increased by $6.5 million, from $9.6 million in the 2Q2016 to $16.1 million in 2Q2017.

Revenue from the Upstream Segment decreased by $1.1 million, from $3.6 million in 2Q2016 to $2.5 million in 2Q2017 due to decrease in both the quantity and average selling price of the phosphate rocks sold in 2Q2017. In 2Q2017, the Group sold 45,300 tonnes of phosphate rocks as compared to 57,600 tonnes in 2Q2016. The reduction in average selling price in 2Q2017 was mainly due to differences in quality of phosphate rocks sold and change in customer mix as compared to 2Q2016.

Revenue from the Downstream Segment increased by $7.6 million, from $6.0 million in 2Q2016 to $13.6 million in 2Q2017, due to the increase in revenue from sale of P_4 arising from higher quantity and higher average selling prices in 2Q2017. The Group sold 5,000 tonnes of P_4 in 2Q2017, as compared to 2,300 tonnes in 2Q2016. In the six months ended 30 June 2017

("**HY2017**"), the Group was able to continue with the production of P_4 on a limited scale in 1Q2017 and resumed full production in 2Q2017, leading to higher inventories of P_4 available for sale in 2Q2017 as compared to 2Q2016. In the previous years, P_4 production only resumed in late April/early May.

Cost of goods sold for the Upstream Segment decreased by $0.9 million, from $2.7 million in 2Q2016 to $1.8 million in 2Q2017. The production costs per tonne in 2Q2017 was lower as compared to 2Q2016 due to the PRC government's policy to cease the collection of mining surcharges from the Group's mines with effect from July 2016.

Gross profit margin for the Upstream Segment increased from 25% in 2Q2016 to 29% in 2Q2017 due to lower production costs in 2Q2017.

Cost of goods sold for the Downstream Segment increased by $6.1 million, from $5.0 million in 2Q2016 to $11.1 million in 2Q2017, in line with the increase in revenue from the Downstream Segment. The increase in gross profit margin for the Downstream Segment from 17% in 2Q2016 to 19% in 2Q2017 was mainly due to increase in average selling prices of P_4 in 2Q2017.

Consequently, gross profit increased by $1.3 million, from $1.9 million in 2Q2016 to $3.2 million in 2Q2017. Overall gross profit margin remained unchanged at 20% for 2Q2017 and 2Q2016.

Other income

Other income remained relatively unchanged at $0.1 million in 2Q2017 and 2Q2016.

Selling and distribution costs

Selling and distribution costs increased by $0.3 million, from $0.1 million in 2Q2016 to $0.4 million in 2Q2017 mainly due to transportation costs and sales commission incurred in tandem with the increased P_4 sales made in 2Q2017.

General and administrative costs

General and administrative costs increased by $0.3 million, from $1.3 million in 2Q2016 to $1.6 million in 2Q2017 mainly due to increase in professional and consultancy fees in connection with the internal restructuring and mining operations.

Finance costs

Finance costs decreased by $0.1 million, from $0.2 million in 2Q2016 to $0.1 million in 2Q2017 mainly due to absence of interest expense incurred on redeemable preference shares ("**RPS**") in 2Q2017. The RPS were fully redeemed in March 2017.

Taxation

Increase in taxation by $0.4 million in 2Q2017 was due to increase in taxable profits of the Group's PRC subsidiaries in 2Q2017. The effective tax rate of 27% is higher than the statutory tax rate of 17% applied to the Group's profit before tax because losses incurred by the Group's

Singapore subsidiaries could not be used to set off against the profits earned by the Group's profit making PRC subsidiaries.

Balance sheet

Non-current assets

Non-current assets decreased by $1.1 million, from $121.6 million as at 31 December 2016 to $120.5 million as at 30 June 2017, mainly due to the decrease in property, plant and equipment which arose from currency translation differences and depreciation expenses for HY2017. The reduction was partially offset by increase in deferred tax asset as a result of recognising the benefits of unutilised tax losses for a Singapore subsidiary.

Current assets

Current assets increased by $4.8 million, from $16.2 million as at 31 December 2016 to $21.0 million as at 30 June 2017. Increases in stocks, trade receivables and prepayments were mainly due to increase in mining and P_4 operations as the Group carried more inventories and made prepayments to certain suppliers.

Current liabilities

Current liabilities increased by $0.4 million, from $21.1 million as at 31 December 2016 to $21.5 million as at 30 June 2017, mainly due to increases in trade payables, advance payments from customers and provision for taxation. The increase was partially offset by reduction in bank overdraft (secured), other payables, loan due to a director ("**Dr. Ong Loan**") and interest-bearing bank loans due to payments made during HY2017.

Negative working capital

As at 30 June 2017, the Group recorded negative working capital of $0.5 million compared to a negative working capital of $4.9 million as at 31 December 2016. The improvement in negative working capital was mainly due to

i) net cash inflows generated from operating activities of $2.8 million in HY2017;
ii) proceeds received from the rights cum warrants issue completed in March 2017. After completing the redemption of the RPS and repayment of the Dr. Ong Loan, the Group received net cash proceeds of $2.3 million from the rights cum warrants issue; and
iii) proceeds received from the exercise of warrants of $0.4 million in 2Q2017.

The directors of the Company are confident that the Group is able to pay its debt as and when it falls due.

Non-current liabilities

Non-current liabilities decreased by $5.6 million, from $25.6 million as at 31 December 2016 to $20.0 million as at 30 June 2017, mainly due to the redemption of the RPS.

Cash flow statement

Operating profit before working capital changes was $2.9 million in 2Q2017. Cash out flow due to changes in working capital was $1.8 million mainly due to increases in stocks and receivables, partially offset by increase in payables. Payments for interest and tax expense in 2Q2017 amounted to $0.5 million. The above contributed to net cash generated from operating activities of $0.7 million in 2Q2017.

Net cash flows used in investing activities was $0.2 million due to payments for property, plant and equipment.

Net cash flows used in financing activities of $2.8 million was due to repayment of interest-bearing bank loan and share issuance expenses, partially offset by proceeds from the exercise of warrants.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's unaudited consolidated financial results for 2Q2017 as set out in this announcement is in line with the profit guidance set out in the announcement made by the Company on 24 July 2017.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Upstream Segment

In 2Q2017, the Group sold 45,300 tonnes of phosphate rocks, as compared to 34,700 tonnes in 1Q2017. This is in line with the Group's strategy to increase the sales of phosphate rocks to unlock the value of its rock inventory. The average selling prices for phosphate rocks in 2Q2017 was lower than that in 1Q2017 due to change in customer mix and differences in quality of phosphate rocks sold.

The Group enjoyed a good mining season from Mine 1 and Mine 2 in HY2017 and had mined in excess of 181,000 tonnes of rocks. As at 30 June 2017, inventory of phosphate rocks stands at approximately 137,000 tonnes, which are available for sale or use for production of P_4.

The Group will also be able to purchase phosphate rocks from external suppliers for the production of P_4 for the rest of the current financial year ending 31 December 2017 ("**FY2017**") should the need arises. This will mitigate any impact on the financial performance of the Group for FY2017 if there are any delays to resume mining at Mine 2 in September due to the notices received from the Mianzhu Water Authority and Mianzhu City Environmental Protection Bureau (the "**Water and Environmental Notices**"), as set out in the Group's announcement dated 28 June 2017.

Under the Water and Environmental Notices , the Group's wholly-owned subsidiary Sichuan Mianzhu Norwest Phosphate Chemicals Co. Ltd ("**Mianzhu Norwest**") and its 55%-owned subsidiary Deyang Fengtai Mining Co. Ltd were required to halt mining operations on Mine 2 and the Feng Tai mine with effect from the date of the said notices, and to submit their respective plans on water and soil conservation for approval. The Group can only resume mining operations at Mine 2 and the Feng Tai mine upon receipt of approvals from the Mianzhu City Environmental Protection Bureau.

In addition, Mianzhu Norwest also received a notice from the Mianzhu Forestry Bureau requiring it to vacate the relevant portion of the land within Mine 2 which is located in the Fa Mu Chang Forest Area (the "**Forestry Bureau Notice**").

The Group has ceased mining operations at Mine 2 when the rainy season started in the middle of June 2017. Mining operations are expected to resume at the end of the rainy season, which is usually by end September. The Group is currently working closely with relevant professionals to comply with the Water and Environmental Notices so that mining operations at Mine 2 can resume when the rainy season ends.

With respect to the Feng Tai mine, the Group has yet to commence mining operations as at the date hereof.

The Group has also not received any other information on the Forestry Bureau Notice as at the date hereof and is still currently assessing its impact. The Group will provide updates as and when there are material developments in complying with these notices and on the resumption of mining.

Downstream

The Group resumed full production of P_4 in 2Q2017. Since then, the Group's two P_4 furnaces have been operating on three shifts to meet the continued demand from customers. Due to continued efforts in marketing to existing customers, as well as new customers secured, the Group is enjoying both recurring and new orders for P_4.

The Group has also diversified its sourcing of certain raw materials by buying from various third parties to procure quality materials at competitive prices.

With the resumption of full production of P_4 and the expected resultant decrease in production costs, as well as firmer P_4 prices, the Group expects its P_4 business to continue to contribute positively to the Group for the rest of FY2017.

The Group will continue to build up its P_4 business and monitor production efficiencies to improve the Group's bottomline.

Going forward

In line with the Group's strategy to grow in a sustainable and responsible manner, the Group has invested carefully to build and grow the business. In this regard, the Group announced that upon completion of the internal restructuring as set out in its announcement on 19 June 2017, it will embark on Phase 2 of its rebuilding programme to construct a SHMP plant to expand the Group's product offerings and create additional revenue and cash flow streams.

The Group will also continue exploring with strategic partners to build complementary businesses, both horizontally and vertically, to further enhance shareholders' value.

The Group will provide further updates on the status of the internal restructuring and discussions with potential strategic partners as and when there are material developments.

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) Date payable

Not applicable.

(e) Books closure date.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the second quarter ended 30 June 2017.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transcation as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained from shareholders of the Company.

On 21 June 2013, Chief Executive Officer and Executive Director of the Company, Dr. Ong Hian Eng ("**Dr. Ong**"), Mr Ong Kwee Eng (an associate of Dr. Ong), and key executives Mr Wang Xuebo and Mr Chia Chin Hau (collectively, the "**Indemnitors**") signed a deed of indemnity, under which they have jointly and severally undertaken, inter alia, to indemnify and hold harmless the Group against losses in connection with certain land use rights and certain licences, permits and approvals for the Group's PRC operations (the "**Indemnity**"). No fees were paid or benefits given to the above-mentioned individuals in connection with the deed of indemnity. Please refer to the Company's offer document dated 25 September 2013 ("**Offer Document**") under the section entitled "Interested Person Transactions – Present and Ongoing Interested Period Transactions" (Page 191) for further details. Such indemnity against losses in connection with the abovementioned land use rights had expired on 7 April 2015. On 20 February 2017, the Company and the Indemnitors entered into a supplemental deed, pursuant to which it was agreed that the Indemnity shall terminate upon the occurrence of (i) any transaction or series of transaction resulting the Indemnitors and their associates (as defined in the Catalist Rules) collectively holding less than 51.0% of the total issued and paid-up share capital of the Company; and (ii) Dr. Ong, Mr Ong Eng Hock Simon, Mr Ong Eng Siew Raymond and Ms Ong Bee Pheng, and any relative (including by marriage) of Dr. Ong from time to time, no longer collectively constituting a majority representation on the Board.

14. Use of proceeds from the IPO and the Rights cum Warrants Issue.

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

Description	Amount allocated (as disclosed in the Offer Document)	Amount utilised as at the date of this announcement	Balance of net proceeds as at date of this announcement
	$'000	$'000	$'000
Development and financing of			
our Mining Operations	8,500	(3,961)	4,539
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)	(7,540)
Net proceeds	21,552	(21,552)	-

Out of the $9.1 million utilised as working capital, an amount of $0.2 million was in relation to the listing expenses incurred in addition to the originally estimated expenses of $2.8 million.

Pending the deployment of proceeds for the allocated amount for Mining Operations and Phase 2 of the Rebuilding Programme, the Group has utilised $9.1 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.

As of the date of this announcement, the utilisation of the net proceeds raised from the rights cum warrants issue is set out below:

Description	Amount allocated	Amount utilised as at the date of this announcement	Balance of net proceeds as at date of this announcement
	$'000	$'000	$'000
Redemption of the RPS	5,725	(5,725)	-
Repayment of the Dr. Ong Loan	1,000	(1,000)	-
Working capital	1,987	(645)	1,342
Net proceeds	8,712	(7,370)	1,342

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.

15. Additional disclosure required for Mineral, Oil and Gas companies

15 (a) Rule 705(6)(a) of the Catalist Listing Manual
i. Use of funds/cash for the quarter:

	Actual
	$'000
Further mining and exploration activities	137
Expenditure on mining related infrastructure and purchase of equipment	63
	200

ii. Projection on the use of funds/cash for the next immediate quarter, including principal assumptions:

No exploration and mining activities is planned for the third quarter ending 30 September 2017 ("**3Q2017**") because of the mandatory cessation of such activities by the local authorities due to the annual rainy season. However the Group may make payments for certain works completed in 2Q2017.

15 (b) Rule 705(6)(b) of the Catalist Listing Manual

The board of directors (the "**Board**") of the Company hereby confirms that to the best of its knowledge, nothing has come to its attention which may render the above information provided to be false or misleading in any material aspect.

15 (c) Rule 705(7) of the Catalist Listing Manual

Details of exploration (including geophysical surveys), mining development and/or production activities undertaken by the Group and a summary of the expenditure incurred on those activities including explanations for any material variances with previous projections, for the period under review. If there has been no exploration development and/or production activity respectively, that fact must be stated.

	Projected		Actual	Variance
	RMB'000	$'000*	$'000	$'000
Further mining and exploration activities	1,422	289	137	152
Expenditure on mining related infrastructure and purchase of equipment	-	-	63	(63)
	1,422	289	200	89

* Based on an assumed exchange rate of RMB4.914 : S$1.00

Certain expenditure incurred in the 2Q2017 may be paid in 3Q2017 upon verification of work done.

15 (d) Rule 705(7)(b) of the Catalist Listing Manual

Update on its reserve and resources, where applicable, in accordance with the requirements set out in Practice Note 4C, including a summary of reserves and resources as set out in Appendix 7D.

Save for the information provided in the announcement dated 20 March 2017, the Group has no material updates on its phosphate reserves and resources as set out in the qualified person report issued by Watts, Griffis and McOuat Limited dated 17 March 2017.

The Group will provide updates should there be any material change to the estimates.

16. Negative confirmation pursuant to Rule 705(5) of the Catalist Listing Manual

The Board hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the second quarter ended 30 June 2017 to be false or misleading in any material aspects.

17. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company hereby confirms that it has procured signed undertakings from all its Directors and the relevant executive officers in the format as set out in Appendix 7H of the Catalist Listing Manual in accordance with Rule 720(1) of the Catalist Listing Manual.

On behalf of the Board,
Ong Eng Hock Simon
Executive Director
4 August 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement and has not drawn on any specific technical expertise in its review of this announcement.

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

The contact 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.