ASIAPHOS
LIMITED

INSIDE FEATURES

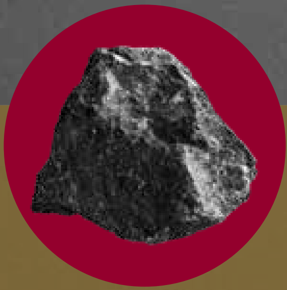
SEIZING THE MOMENTUM
Stepping up efforts to build on progress

MOVING WITH THE TIMES
In sync with China's move towards sustainability

TAKING A LONG VIEW
Setting sights on a brighter future

ANNUAL REPORT 2017

FOCUS ON
SUSTAINABILITY
Driving Productivity, Growing Responsibly



ABOUT US

AsiaPhos Limited was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 7 October 2013, and is the first mineral resources company listed on the SGX-ST which is focused on the mining of phosphate and the production of downstream phosphate-based chemical products. The Group owns a downstream processing facility in the Gongxing Industrial Park (Sichuan) which produces yellow phosphorus (P_4) and sodium tripolyphosphate (STPP).

VISION & MISSION

1. To be a world-class phosphate manufacturer
2. Focus on quality, sustainability and environmental management
3. Strive towards value creation for all our stakeholders as a responsible corporate citizen

CONTENTS

USES OF PHOSPHATE

Phosphate is a valuable and non-renewable natural resource, which 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 of, many everyday products, including:

LCD PANELS AND PLASMA SCREENS

FIRE RETARDANTS

PAINT

ANIMAL FEED

ORAL CARE

- oral hygiene products e.g. mouthwash and toothpaste

FOOD AND BEVERAGE

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

OTHERS

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

HARNESSING OPPORTUNITIES IN PHOSPHATE CHEMICALS

OVERVIEW

The emergence of new discoveries in chemical research and technology, and the development of global economies have led to significant growth in the market for phosphate chemicals. While the Group currently produces P_4 (yellow phosphorus), the growing demand in other phosphate-based chemicals like sodium tripolyphosphate (STPP), sodium trimetaphosphate (STMP), sodium hexametaphosphate (SHMP) and other polyphosphates, presents tremendous market opportunities.

GROWTH STRATEGY AND STEPS

Ramping up production of phosphate chemicals

- Utilising existing production facilities on Phase 2 land with minimal capital expenditure requirements

New separate entity to focus on phosphate chemical production

- On May 2017, the Group incorporated a wholly-owned subsidiary in Hong Kong under the name of APC Limited

Strategic partnerships

- Currently in talks with potential strategic partners to explore opportunities in new phosphate chemical applications

Building an overseas market

- Growing customer base outside Sichuan, and the PRC in the medium to long term, for example, the US and Russia

OPPORTUNITIES IN PHOSPHATE CHEMICALS

ENVIRONMENTAL REMEDIATION

Phosphate chemicals can be used to sequester heavy metals like lead and arsenic found in contaminated soil, restoring these sites to a non-hazardous state. As the Chinese government has put a high premium on environmental protection, the growth in demand for phosphate to be used in environmental remediation continues to rise.

CLEAN ENERGY

With the global move towards clean and renewable energy, there has been a greater push for electric vehicles, some of which rely on batteries that use $LiFePO_4$, which contains phosphates as a key component.

ONE BELT ONE ROAD

Driven by the PRC's 'One Belt One Road' initiative, the potential demand for phosphate chemicals to be used in construction projects is tremendous.

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Update on Upstream Operations

2017 was an extremely challenging year for the Group as our mining operations in Mines One and Two were interrupted following requests from the Mianzhu City Government to vacate and rehabilitate Mine Two and the Fengtai Mine, in addition to the non-renewal of Mine One mining licence. Since then, the management has been working to safeguard the value of our mining assets. As previously announced, negotiations are ongoing with the local and provincial government officials to agree on the compensation. However, no conclusion has been reached. These ongoing negotiations will not prejudice our right to commence international arbitration proceedings, for which we have appointed an international law firm with extensive experience in international arbitration.

While this is an unfortunate development, the positive is that when an amicable settlement is reached, it will enable us to accelerate the cash flow benefits of our mining assets, which will provide the Group with funds to meet the future needs of growing our downstream business, where the growth potential is. We also intend to distribute to shareholders surplus proceeds after ascertaining and setting aside funding requirements.

As at 31 December 2017, all mining-related property, plant and equipment, mining properties, goodwill and deposits for rehabilitation and mining levy have been classified as held for sale and carried at the lower of carrying value and fair value less costs to sell, in accordance with FRS105. Based on independent valuation of these assets, the fair value of these assets is greater than their carrying value.

Focusing on Downstream operations

We view this turn of events affecting our upstream operations as a temporary setback for the Group, as the management has decided on growing the downstream operations, since two years ago, when we saw the market potential of P_4 and phosphate-based chemicals.

Additionally we have diversified the sourcing of phosphate rocks by procuring from various third parties, thereby securing a consistent supply of quality phosphate rocks at competitive prices.

In addition to P_4 production, we have also stepped up the production and sale of other phosphate-based chemicals, namely STPP, STMP and SHMP. The continuous production of P_4 provided an uninterrupted supply of flue gas (a by-product of P_4 production) that may be used in place of natural gas for the production of existing and planned downstream chemicals, thereby improving our cost-competitiveness in these chemicals.

Expansion into New Markets

Owing to increased efforts in marketing to existing customers and new customers, we managed to secure recurring and new orders for downstream phosphate chemical products. Notably, we have been receiving more orders from customers outside of Sichuan and the PRC, namely the US and Russia. We will continue to focus on broadening our customer base overseas.

Market Opportunities for Phosphate-based Chemicals

To further enhance the future value of the Group, we are currently exploring with strategic partners to establish complementary businesses, as well as explore opportunities in new phosphate chemical applications. We see opportunities for phosphate-based chemicals driven by global trends in environment and economic development.

One of the trends that is impacting demand for phosphate-based chemicals is the worldwide green movement, of which environmental remediation is an integral part of. In environmental remediation, which is the removal of pollution or contaminants from soil, phosphate chemicals can be used to sequester heavy metals such as lead and arsenic found in contaminated soil, restoring these sites to a non-hazardous state. With the Chinese government's focus on environmental protection, the growth in demand for phosphate to be used in environmental remediation is expected to increase.

> The downstream segment saw an increase in revenue of **87%** to **S$44.1 million** over the previous financial year.

As the world moves towards clean and renewable energy, there has been a greater push for electric vehicles, some of which rely on batteries that use $LiFePO_4$, which contains phosphate as a key component.

The PRC's 'One Belt One Road' initiative also holds opportunities for phosphate chemicals which are also used in construction.

Financial Performance Review

Reflecting our shift in focus, our revenue growth of almost 50% to S$51.1 million for the year ended 31 December 2017 was driven mainly by the downstream segment.

The downstream segment, which accounted for 86% of the Group's total revenue in FY2017, saw an increase of 87% to S$44.1 million, against S$23.6 million in FY2016, while segmental profit before tax more than quadrupled to S$5.3 million from S$1.2 million. The increase was due to both higher quantity of P_4 sold and higher average selling prices achieved during the year. The Group sold 15,450 tonnes of P_4 in FY2017, compared to 9,840 tonnes in FY2016.

Notably, our other downstream chemicals, namely STPP and SHMP, also generated revenue of S$1.6 million, almost doubling the S$0.9 million recorded in the previous financial year.

As a result of the Group's conscious effort to focus more on its downstream segment and the cessation of mining operations in the fourth quarter, revenue from the upstream segment declined to S$7.0 million, from S$10.8 million the year before, while segmental profit before tax declined to S$1.0 million from S$2.2 million previously.

Overall, after taking into account corporate interest expenses the Group reported a net attributable profit of S$0.2 million in FY2017, against a loss of S$1.7 million in FY2016.

For FY2018, we will be pursuing strategies to capitalise on the growth opportunities mentioned above, and we want to assure all our stakeholders that the management will spare no effort to achieve the best results for AsiaPhos. Our confidence in the growth potential of phosphate remains strong because it is an essential and irreplaceable element to life which is fast-depleting and yet non-renewable.

In Appreciation

We would like to express our deepest gratitude to our fellow Board members, customers, suppliers and loyal shareholders for their support and trust in the Group. Our heartfelt thanks go to our management and staff for their dedication and hard work amidst the challenges.

We look forward to your continued support.

Hong Pian Tee
Non-Executive Chairman

Dr Ong Hian Eng
CEO and Executive Director

FINANCIAL REVIEW

In FY2017, our total combined revenue rose 49% to S$51.1 million with downstream revenue contribution at 86%, and the remaining from upstream operations. The downstream business saw an increase in revenue of 87% to S$44.1 million, while segment profit before tax more than quadrupled to S$5.3 million in FY2017. Revenue from the upstream segment declined to S$7.0 million, from S$10.8 million the year before, while segment profit before tax declined to S$1.0 million from S$2.2 million previously. The upstream segment has also been presented as discontinued operation to comply with the requirements of FRS 105.

INCOME STATEMENT

	FY2017 S$'000	FY2016 S$'000	Change %
Continuous operations			
Revenue	44,085	23,558	87
Cost of sales	(37,275)	(21,255)	75
Gross profit	6,810	2,303	196
Other income	339	324	5
Selling and distribution costs	(1,331)	(571)	133
General and administrative costs	(5,270)	(5,353)	(2)
Finance costs	(582)	(833)	(30)
Loss before tax, from continuing operations	(34)	(4,130)	(99)
Taxation	(506)	634	n.m.
Loss after tax, from continuing operations	(540)	(3,496)	(85)
Discontinued operation			
Profit after tax, from discontinued operation	754	1,762	(57)
Net attributable profit/(loss) to owners of the Company	**214**	**(1,734)**	**n.m.**

n.m. denotes not meaningful

Downstream revenue

- Increased by 87% resulting from higher average selling prices and larger quantities of P_4 sold.
- 15,450 tonnes of P_4 was sold in FY2017, compared to 9,840 tonnes in FY2016.

Downstream gross profit

- Increased by 196% in FY2017, due to higher average selling prices and improved production efficiencies.

Selling and distribution costs

- Increased to S$1.3 million in FY2017 due to higher transportation costs and sales commission incurred in tandem with the increased sales.

Taxation

- The Group recorded a tax charge of S$0.5 million in FY2017, as the 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.

Discontinued operation

- Declined by 57% to S$0.8 million in FY2017, due to lower sales of phosphate rocks, and an increase in general and admininstrative expenses due to salaries-related and depreciation expenses. There was also a one-time charge on the termination of services of employees in the mining department in 4Q2017.

BALANCE SHEET

	As at 31 Dec 2017 S$'000	As at 31 Dec 2016 S$'000
Non-current assets	30,253	121,576
Current assets	108,375	16,213
Total assets	138,628	137,789
Current liabilities	18,543	21,115
Non-current liabilities	19,419	25,603
Total liabilities	37,962	46,718
Net assets	**100,666**	**91,071**
Share capital	78,283	68,151
Reserves	12,920	13,457
Non-controlling interest	9,463	9,463
Total equity	**100,666**	**91,071**

Non-current assets decreased by S$91.3 million to S$30.3 million as at end FY2017, due mainly to:

- reclassification of mining-related property, plant and equipment, mining properties, goodwill and other receivables to "assets of disposal group" in the current assets in accordance to FRS 105

Current assets increased by S$92.2 million, to S$108.4 million as at end FY2017, due mainly to:

- increase in stocks as the Group keeps inventory for P_4 production and sales in 2018
- increase in prepayments to some suppliers
- "assets of disposal group" of S$90.1 million, reclassfied from non-current assets
- partially offset by reduction in trade receivables

Current liabilities decreased by S$2.6 million to S$18.5 million as at end FY2017, due mainly to:

- decrease in trade and other payables
- decrease in bank overdraft (secured)
- payment of loan due to director in FY2017
- partially offset by:
  - increase in provision for tax
  - reclassified provision for rehabilitation to liability of disposal group from non-current liabilities

Non-current liabilities decreased by S$6.2 million to S$19.4 million as at end FY2017, due mainly to:

- redemption of redeemable preference shares in March 2017
- reclassification of provision for rehabilitation to current liabilities

CASH FLOW STATEMENT

	FY2017 S$'000	FY2016 S$'000
Net cash flows generated from/ (used in) operating activities	(630)	(2,632)
Net cash flows used in investing activities	(2,744)	(4,156)
Net cash flows generated from financing activities	3,570	4,816
Cash and cash equivalents at beginning of the year	1,012	3,098
Net increase/(decrease) in cash and cash equivalents	196	(1,972)
Exchange rate difference	(26)	(114)
Cash and cash equivalents at end of the year	**1,182**	**1,012**

Operating profit before working capital changes was S$4.9 million in FY2017, which was offset by outflows from working capital changes of S$4.2 million, interest paid of S$0.7 million and tax paid of S$0.6 million

Net cash flows used in investing activities was S$2.7 million due to payments for property, plant and equipment and purchase of financial assets held for trading.

Net cash flows generated from financial activities was S$3.6 million due to proceeds from the rights cum warrants issue, and the exercise of warrants.

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

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Partner-in-charge
Philip Ling Soon Hwa
Date of appointment: With effect from financial year ended 31 December 2017

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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 also previously an Independent Director of Golden Agri-Resources Ltd from 2001 to 2017 and Memstar Technology Ltd from 2010 to 2017, which are both listed companies on the Mainboard of the SGX-ST. He is currently the Chairman of Pei Hwa Foundation Limited, and an Independent Director of the following companies listed on the Mainboard of the SGX-ST, Sinarmas Land Limited and XMH Holdings Ltd.

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 our Group's corporate direction and policies as well as the Group's operations, and playing an active role in the development, maintenance and strengthening of strategic business relationships. He is also a member of the Nominating Committee of the Company. He has been serving as a Director and Legal Representative of Mianzhu Norwest since 1996 and January 2010, respectively.

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

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

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

Ong Eng Hock Simon
Executive Director, Non-Independent

Mr Simon Ong 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 was Chief Financial Officer of OKH Global Ltd, a company listed on the Mainboard of the SGX-ST, between October 2014 until December 2017.

BOARD OF DIRECTORS

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.

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 26 April 2017. 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 holds a Bachelor's Degree in Mechanical Engineering (Honours) from the Univesity 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. Mr Goh is a member of the Singapore Institute of Directors.

Ong Eng Siew Raymond

Non-Executive Director, Non-Independent

Mr Raymond Ong was appointed a Director on 1 October 2012. He was re-elected on 26 April 2017.

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.

MANAGEMENT TEAM

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.

Mr Jaime Chiew
Chief Risk Officer / Head of Investor Relations

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, planning and overseeing the Group's mining operations, including supervision of 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.

MANAGEMENT TEAM

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 its audit senior and assistant audit manager in 2009 and 2011, respectively.

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

Zhang Yuanting
Accountant-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. He is responsible for sales and new products development.

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 RESOURCES

The summary of the mineral resources and reserves of the Group as at 31 December 2017 (“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 13 March 2018 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 Issuer Assumed at 100%			Remarks
		Tonnes (millions)	Grade (P_2O_5 %)	Tonnes (millions)	Grade (P_2O_5 %)	Change from previous update[8] (%)	
Reserves							
Proven	Phosphorite	0.9	27.73	0.9	27.73	-18	
Probable	Phosphorite	0.5	27.11	0.5	27.11	0	**-200k tonnes**
Total		**1.4**	**27.50**	**1.4**	**27.50**	-13	
Resources							
Measured	Phosphorite	16.2	27.51	16.2	27.51	-2	
Indicated	Phosphorite	5.3	28.22	5.3	28.22	-53	**+200k tonnes -6M tonnes**
Total		**21.6**	**27.69**	**21.6**	**27.69**	**-1**	
Inferred*	Phosphorite	4.0	26.09	4.0	26.09	-77	-13.8M tonnes

* refers to the reduction of Inferred resources for the mine 2 exploration permit as a result of exploration results from 2016/2017.

Notes:
Mineral Resources and Reserves effective December 31, 2017.

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

(2) Mineral Resources are estimated at a cutoff value of 8% P2O5 (based on a price of US$60/t P2O5), and 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) 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, adopted by CIM Council May 10, 2014.

(6) S.G. of 3.08 tonnes/m3 and 3.03 tonnes/m3 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 31 December 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. Note that Mineral Reserves are being reported for the first time for these mines, under NI 43-101 Standard.

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

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 areas. 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 operations.

In planning our 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 operating environment.

Our 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. 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 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 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 (with the benefit of potentially lowering production costs for downstream chemicals).

Since we started our business operations, 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 ("井下安全避险六大系统") within the adits 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 recent years, we achieved Level 2 of the safety requirements. Level 2 of the safety requirements allows the Group to obtain mining safety permit from the local authority.

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 any contract workers 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 the year, 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, emergency evacuation drills for the entire factory are also conducted. 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 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 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 that the basic rights and interests of employees are protected, and to maintain good labour relations. We purchased all necessary insurance for the employees in accordance with the relevant labour laws. We ensure that our miners and our outsourced miners pass the relevant health checks, possess 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 government policies, paying taxes in due course, and helping to improve local employment, thus 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 activities 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 2017 ("FY2017"), 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:-

– Providing entrepreneurial leadership, 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 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.

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 FY2017 is disclosed below:

	Number of meetings attended in FY2017			
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**")	4	4(1)	1(1)	2(1)
Ong Bee Pheng	4	4(1)	1(1)	2(1)
Number of meetings held in FY2017	**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 FY2017.

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 [1]	73	Chairman, Non-Executive and Independent	22 August 2013	29 April 2016	Member	-	Member
Dr. Ong [2] [3] [4] [5]	70	Executive, Chief Executive Officer (“**CEO**”)	3 January 2012	Not applicable	-	Member	-
Simon Ong [3] [4] [5]	53	Executive	1 October 2012	29 April 2016	-	-	-
Raymond Ong [3] [4] [5]	51	Non-Executive and Non-Independent	1 October 2012	26 April 2017	-	-	-
Ong Bee Pheng [3] [4] [5] [6]	42	Non-Executive and Non-Independent	1 October 2012	29 April 2015	-	-	-
Francis Lee	52	Non-Executive and Independent	22 August 2013	29 April 2016	Chairman	Member	Member
Goh Yeow Tin	67	Non-Executive and Independent	22 August 2013	26 April 2017	Member	Chairman	Chairman

Notes:

(1) Mr Hong Pian Tee 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 2018.

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

(3) 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.

(4) 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.

(5) 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.

(6) Ms Ong Bee Pheng 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 2018.

Details of the Directors’ qualifications and experiences are set out on pages 09 and 10 [Directors’ Profile] of this Annual Report. Details of the Directors’ shareholdings in the Company and its related corporations are set out on page 35 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 FY2017, none of the Independent Directors have served beyond nine (9) years from their respective date of first appointment.

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;

– 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 ensures that the directors receive complete, adequate and timely information and facilitate the effective contribution from other Board members;

– encourages constructive relations within the Board and between the Board and Management;

– 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 Hian Eng (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 FY2017, 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;

– 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 Peoples' 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;
- 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.

The NC generally avoids recommending the appointment of alternate directors. Where an individual is to be appointed as alternate Director to:

a) an Independent Director, NC reviews and concludes that the individual would similarly qualify as an Independent Director, before his appointment as an alternate Director; and
b) a Director who is not an Independent Director, NC ensures that the alternate Director is familiar with the affairs of the Company and appropriately qualified.

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 Hong Pian Tee and Ms Ong Bee Pheng 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 Hong Pian Tee will remain as a Non-Executive and Independent Director, the Chairman of the Company and a member of the AC and RC and Ms Ong Bee Pheng will remain as a Non-Executive Director of the Company.

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, 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 at the first opportunity after their appointment.

The NC considered, and is of the opinion, that the multiple board representations held by Directors of the Company do not impede their performance in carrying out their duties to the Company. For FY2017, 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 09 to 10 – Academic and professional qualifications, date of first appointment as Director, date of last re-election as Director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

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

Board Performance

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

The NC is responsible for assessing the effectiveness of the Board as a whole and 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 2018, 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 FY2017. No external facilitator was used in the evaluation process.

Access to Information

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

Management, including the Executive Directors, keeps the Board apprised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Key executives who can provide additional insight into the matters at hand would be invited to the Board 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 FY2017, 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 to the Board specific remuneration packages for each Director and key management personnel. The level and structure of remuneration packages shall be aligned with the long-term interest and risk policies of the Company, and shall be appropriate to attract, retain and motivate (i) the Directors to provide good stewardship of the Company; and (ii) the key management personnel to successfully manage the Company;

– 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;

- 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. The Board has not engaged any external remuneration consultant to assist in the review of compensation and remuneration for FY2017.

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. 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.

The said service agreements were automatically renewed for a period of three (3) years with effect from 7 October 2016 upon expiry on the same 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 FY2017, the Group recorded profits before tax (from continuing and discontinued operations) of approximately S$0.98 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 FY2017, 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 FY2017 is set out below:

	Salary and allowance (S$'000)	Annual Wage Supplement (S$'000)	Directors' fees (S$'000)	Total (S$'000)
Hong Pian Tee	–	–	60	60
Dr. Ong[(1)]	150	13	61	224
Simon Ong[(1) (2)]	273	16	61	350
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, Non-Executive Director, Mr Raymond Ong and the Group's Human Resource and Administrative manager, Ms Ong Bee Kuan Melissa.

(2) Our Executive Director, Mr Simon Ong, Non-Executive Director, Mr Raymond Ong and the Group's Human Resource and Administrative manager, Ms Ong Bee Kuan Melissa are siblings. They are also cousins of our Non-Executive Director, Ms Ong Bee Pheng and nephews and niece of Dr. Ong.

The breakdown (in percentage terms) of the remuneration of five (5) top key executives of the Group (who are not Directors or CEO) for FY2017 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	96.2	3.8	100.0
Jaime Chiew Chi Loong [(1)]	Chief Risk Officer, Company	93.1	6.9	100.0
Wu LiPing	Deputy General Manager, Mianzhu Norwest	93.2	6.8	100.0
Chia Chin Hau	Manager, Special Projects, Company	91.8	8.2	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 FY2017 was between S$200,000 and S$250,000.

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$855,000 in FY2017.

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

For FY2017, the salary of Ms Ong Bee Kuan Melissa, the Group'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 FY2017.

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 36 to 37 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 FY2017.

(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. Due to the size of the Group's operations, internal financial statements are provided to the Directors on quarterly basis. However, Non-Executive Directors are provided with timely 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. Executive Directors have access to various daily, weekly and monthly management reports to monitor the financial and operational performance of the Group.

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 32 of this Annual Report.

The Group's financial risk management objectives and policies are discussed further in note 36 to the financial statements. For FY2017, 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 2017.

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 FY2017, 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 FY2017 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 FY2017, 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 2018, the AC had received the report on FY2017 audit results from EY, which summarised the audit work done for the key audit areas. In particular, the following key audit matters was discussed during the meeting:

Key audit matters	How the AC reviewed these matters and what decisions were made
Impairment assessment of the Group's plant and machinery relating to downstream segment.	The AC had reviewed and discussed, *inter alia*, the audit procedures and impairment assessment of the Group's plant and machinery relating to the downstream segment with the Auditor. The AC is satisfied and has accepted the conclusion formed.

During FY2017, the Group paid S$57,000 to EY and its member firms for tax returns compliance services and accounting review services. The AC is of the opinion that the non-audit services provided by EY during FY2017 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 FY2017 are as follows:

Service Category Fees	EY entities in Singapore S$'000	Overseas EY entities S$'000
Audit Services	151	109
Non-Audit Services	23	34
Total	174	143

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 authorize investigations into any matter within the AC's scope of responsibility. No whistle blowing reports were received in FY2017.

For FY2017, 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 FY2017, 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 FY2017, the AC had received assurance from the Management on:

– The maintenance of proper accounting and other records and an adequate systems of internal accounting controls;

– Preparation of financial information which in their opinion, presented a true and fair view of the Group's operations and financial position, in all material aspects and was in accordance with Singapore 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 recognized 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 including 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 organized by external organizations. 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, 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.

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.

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 FY2017 as the Group continues to work on strengthening its balance sheet and working capital positions.

(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 held no less than 20.0% equity interest in Astute Ventures. In FY2017, interest expense relating to the 2016 RPS paid and payable to Dr. Ong and Astute Ventures amounted to S$78,000. The 2016 RPS were fully redeemed on 24 March 2017.

In FY2016, the Company entered into a shareholder's loan agreement with Dr. Ong, in relation to the provision of a loan of S$1,000,000 to the Company (the "Dr. Ong Loan"). The Dr. Ong Loan was granted on an interest-free and unsecured basis. Unless otherwise agreed in writing, the Dr. Ong Loan shall automatically become due and payable in full upon the date falling six (6) calendar months from 22 December 2016. The loan was fully repaid on 29 March 2017.

Other than the above interested person transactions, there were no other IPTs in FY2017.

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

(G) USE OF PROCEEDS

As announced on 4 August 2017 and 2 November 2017, the proceeds from IPO and the rights cum warrants issue have been fully utilised.

(H) MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors as set out 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 FY2017 or if not subsisting, was entered into since 31 December 2017.

(I) NON-SPONSOR FEES

No fees relating to non-sponsorship activities or services were paid to the Company's sponsor, Asian Corporate Advisors Pte. Ltd. ("Sponsor") during FY2017.

RISK STATEMENT

The Group recognises that risk is inherent in a business and its operations, and that commercial risks are 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 risks for which it may not be 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. The work undertaken by the IA includes 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 detailed discussion on the Group's financial risk management objectives and policies, they can be found in note 36 to the financial statements.

In FY2017, the Group performed a review of the operational/safety controls relating to its upstream mining and downstream chemical operations, specifically focussed on health, safety, security and the environment ("HSSE"), regulatory compliance, and re-reviewed control improvements relating to prior years' IA fieldwork.

For the upstream mining operations, discussions were held with independent geologists as part of the Group's annual technical review preparations.

In preparation for the annual sustainability report that the Group will be preparing with effect from the financial year ended 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 operations and to provide assurance that our operations remain compliant with the relevant authorities' requirements. The Group will publish a separate sustainability report before 31 December 2018. The report will be available on SGXnet and the Company's website www.asiaphos.com.

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 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 2017.

FINANCIAL CONTENTS

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 2017 ("**FY2017**").

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 of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

DIRECTORS

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

Hong Pian Tee
Dr. 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, Hong Pian Tee and Ong Bee Pheng 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 or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, WARRANTS 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, Chapter 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
Ordinary shares of the Company				
Hong Pian Tee	1,106,000	2,112,350	–	–
Ong Hian Eng	8,021,684	9,024,394	215,233,492	242,137,677
Ong Eng Hock Simon	2,919,306	2,919,306	245,025,455	–
Ong Eng Siew Raymond	2,919,306	2,919,306	246,374,186	1,348,731
Ong Bee Pheng	29,408,037	33,084,041	–	–
Francis Lee Fook Wah	100,000	200,000	–	–
Warrants of the Company				
Hong Pian Tee	–	75,750	–	62,500
Ong Hian Eng	–	1,002,710	–	1,279,185
Ong Bee Pheng	–	3,676,004	–	–
Francis Lee Fook Wah	–	200,000	–	–

There is no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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

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

WARRANTS

On 24 March 2017, 112,664,875 warrants have been allotted and issued by the Company at an issue price of $0.08 for each warrant, each warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company at the exercise price of $0.08 for each new share, on the basis of one warrant for every eight existing ordinary shares at the capital of the Company held by the shareholders of the Company, fractional entitlements, if any, to be disregarded.

For the year ended 31 December 2017, 17,540,810 warrants were exercised and converted to ordinary shares of the Company. Accordingly, as at 31 December 2017, the Company has 95,124,065 (2016: Nil) outstanding Warrants, exercisable into 95,124,065 (2016: Nil) New Shares.

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

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.

DIRECTORS' STATEMENT (CONT'D)

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

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

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

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

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

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

Since the adoption of the Share Plan and for the FY2017, 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, Chapter. 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 and its member firms 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. The two non-executive directors recused themselves during the meetings given their familial relationship with the management.

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

28 March 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified 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 2017, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the balance sheet 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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

The assets and directly associated liability of Mine 1, Mine 2 and Fengtai Mine, (collectively, the "**Mining Assets**") were reclassified as assets and liability of disposal group in the Group's consolidated balance sheet as at 31 December 2017 and its results have been reclassified as discontinued operation on the Group's consolidated statement of comprehensive income statement for the year ended 31 December 2017. Further details are provided in Note 2, Note 4.1 (a), Note 4.2 (d) and Note 9 to the financial statements.

The directors are of the view that the fair value less costs of disposal of the Mining Assets is higher than their carrying amounts as at 31 December 2017. However, there exists significant uncertainties with respect to the recoverable amount of the disposal group as it is subject to further negotiation with the relevant authorities in the People's Republic of China ("**PRC**"). Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence to determine if the assets of disposal group amounting to $90,110,000 and liability of disposal group amounting to $815,000 are carried at the lower of carrying amount or fair value less cost of disposal as at 31 December 2017. Consequently, we were also unable to determine whether adjustment is required to the cost of investment in subsidiaries amounting to $78,036,000 in the Company's balance sheet as at 31 December 2017. Any adjustment would have a consequential effect on the results of the discontinued operation for the year ended 31 December 2017, and the carrying amounts of the Group's assets and liability of disposal group and cost of investment in subsidiaries in the Company's balance sheet as at 31 December 2017.

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 qualified opinion.

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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence to determine if the disposal group is carried at the lower of carrying amount or fair value less cost of disposal as at 31 December 2017. Consequently, we were also unable to determine whether adjustment is required to the cost of investment in subsidiaries in the Company's balance sheet as at 31 December 2017. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key audit matter

Key audit matter is those matters that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was 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 this matter. 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 the matter. 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.

Area of focus	How our audit addressed the matter
Impairment assessment of the Group's plant and machinery relating to downstream segment	
The Group recorded certain plant and machinery relating to the downstream segment of $2,599,000, which constitute 9% of the total non-current assets as at 31 December 2017. Management has identified that the non-production of downstream chemical indicated potential impairment of the above mentioned plant and machinery pertaining to the downstream segment. Accordingly, management has performed impairment assessment on the plant and machinery, and measured the recoverable amount of the asset based on value-in-use method using discounted cash flows. The impairment assessment was significant to our audit due to the significant management judgement involved in making certain assumptions and estimates in the impairment assessment which are affected by expected future market and economic conditions. Based on the outcome of this impairment test, management has assessed that no impairment loss is required.	We reviewed management's process in the assessment of whether there is an indication that the plant and machinery relating to downstream segment may be impaired and their estimation of the recoverable amount of the asset. We obtained the value-in-use assessment prepared by management and assessed the reasonableness of the key assumptions and estimates used, focusing on revenue, costs and appropriateness of growth rates to historical trends, in addition to checking the mathematical accuracy of underlying calculations. Given the complexity involved, our internal valuation specialists assisted us in reviewing the reasonableness of the discount rate used by management. We also assessed the adequacy of the disclosures in Note 12 of the financial statements.

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.

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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

For the financial year ended 31 December 2017

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000 (Re-presented)
Continuing operations			
Revenue	5	44,085	23,558
Cost of sales		(37,275)	(21,255)
Gross profit		6,810	2,303
Other income	6	339	324
Selling and distribution costs		(1,331)	(571)
General and administrative costs		(5,270)	(5,353)
Finance costs		(582)	(833)
Loss before tax from continuing operations	7	(34)	(4,130)
Taxation	8	(506)	634
Loss from continuing operations, net of tax		(540)	(3,496)
Discontinued operation			
Profit from discontinued operation, net of tax	9	754	1,762
Profit/(loss) for the year		214	(1,734)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		(751)	(2,015)
Total comprehensive income for the year		(537)	(3,749)
Attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		(540)	(3,496)
Profit from discontinued operation, net of tax		754	1,762
Profit/(loss) for the year attributable to owners of the Company		214	(1,734)
Non-controlling interest		–	–
Profit/(loss) for the year attributable to Non-controlling interest		–	–
Profit/(loss) for the year		214	(1,734)
Total comprehensive income for the year attributable to:			
Owners of the Company		(537)	(3,749)
Non-controlling interest		–	–
Total comprehensive income for the year		(537)	(3,749)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000 (Re-presented)
Attributable to owners of the Company			
Total comprehensive income for the year from			
– Continuing operations		(1,291)	(5,511)
– Discontinued operation		754	1,762
Total comprehensive income for the year attributable to owners of the Company		(537)	(3,749)
Earnings/(loss) per share (cents per share)			
– Basic	33(a)	0.02	(0.19)
– Diluted	33(a)	0.02	(0.19)
(Loss)/earnings per share attributable to owners of the Company (cents per share)			
Basic			
– Continuing operations	33(b)	(0.05)	(0.39)
– Discontinued operation	33(c)	0.08	0.20
Diluted			
– Continuing operations	33(b)	(0.05)	(0.39)
– Discontinued operation	33(c)	0.08	0.20

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

BALANCE SHEETS

For the financial year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Mine properties	10	–	65,133	–	–
Land use rights	11	4,362	4,535	–	–
Property, plant and equipment	12	25,162	38,619	–	–
Prepayments	13	695	691	–	–
Other receivables	14	34	285	–	–
Intangible asset	15	–	–	–	–
Goodwill	16	–	12,249	–	–
Deferred tax assets	28	–	64	–	–
Investment in subsidiaries	17	–	–	78,036	72,311
		30,253	121,576	78,036	72,311
Current assets					
Stocks	18	12,135	7,941	–	–
Trade receivables	19	985	3,975	–	–
Prepayments	13	2,174	1,108	282	38
Other receivables	14	379	601	55	57
Financial asset held for trading	20	389	–	–	–
Amounts due from subsidiaries	21	–	–	6,803	4,038
Cash and bank balances	22	2,203	2,588	1,130	1,027
Assets of disposal group	9	90,110	–	–	–
		108,375	16,213	8,270	5,160
Total assets		138,628	137,789	86,306	77,471
Current liabilities					
Bank overdraft (secured)	22	–	392	–	392
Trade payables	23	4,439	6,022	–	–
Other payables	24	5,121	5,569	241	145
Advances from customers		492	455	–	–
Interest-bearing bank loans	25	6,963	7,086	–	–
Loan due to a director	26	–	1,000	–	1,000
Deferred income	27	–	35	–	–
Provision for taxation		713	556	–	–
Liability of disposal group	9	815	–	–	–
Amounts due to subsidiaries	21	–	–	2,983	1,239
		18,543	21,115	3,224	2,776
Net current assets/(liabilities)		89,832	(4,902)	5,046	2,384
Non-current liabilities					
Deferred income	27	2,034	2,202	–	–
Deferred tax liabilities	28	17,385	17,506	–	–
Provision for rehabilitation	29	–	170	–	–
Redeemable preference shares	30	–	5,725	–	–
		19,419	25,603	–	–
Total liabilities		37,962	46,718	3,224	2,776
Net assets		100,666	91,071	83,082	74,695

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

BALANCE SHEETS

For the financial year ended 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Equity attributable to owners of the Company					
Share capital	31	78,283	68,151	78,283	68,151
Reserves	32	12,920	13,457	4,799	6,544
		91,203	81,608	83,082	74,695
Non-controlling interest		9,463	9,463	–	–
Total equity		100,666	91,071	83,082	74,695

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 2017

Group	Share capital $'000	Merger reserve $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Safety fund surplus reserve $'000	Total reserves $'000	Non-controlling interest $'000	Total equity $'000
At 1 January 2017	68,151	850	9,517	2,234	856	13,457	9,463	91,071
Profit for the year, net of tax	–	–	214	–	–	214	–	214
Other comprehensive income								
Foreign currency translation	–	–	–	(751)	–	(751)	–	(751)
Total comprehensive income for the year	–	–	214	(751)	–	(537)	–	(537)
Contributions by and distributions to owners								
Issuance of new ordinary shares	10,416	–	–	–	–	–	–	10,416
Share issuance expenses	(284)	–	–	–	–	–	–	(284)
Total transactions with owners in their capacity as owners	10,132	–	–	–	–	–	–	10,132
Others								
Transfer to safety fund surplus reserve	–	–	(600)	–	600	–	–	–
Utilisation of safety fund surplus reserve	–	–	438	–	(438)	–	–	–
At 31 December 2017	78,283	850	9,569	1,483	1,018	12,920	9,463	100,666
At 1 January 2016	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 41)	–	–	(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

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 2017

Company	Share capital $'000	Retained earnings $'000	Total equity $'000
At 1 January 2017	68,151	6,544	74,695
Loss for the year, representing total comprehensive income for the year	–	(1,745)	(1,745)
Contributions by and distributions to owners			
Issue of new ordinary shares	10,416	–	10,416
Share issuance expenses	(284)	–	(284)
Total transactions with owners in their capacity as owners	10,132	–	10,132
At 31 December 2017	78,283	4,799	83,082
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 (Note 41)	–	(901)	(901)
At 31 December 2016	68,151	6,544	74,695

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 2017

	2017 $'000	2016 $'000
Cash flow from operating activities		
(Loss)/profit before tax from		
– Continuing operations	(34)	(4,130)
– Discontinued operation	1,010	2,199
Profit/(loss) before tax, total	976	(1,931)
Adjustments for:		
Depreciation expense	3,337	3,351
Amortisation expense	308	939
Interest expense	515	820
Interest income	(12)	(13)
Gains on financial asset held for trading	(34)	–
Loss/(gain) on disposal of property, plant and equipment	14	(1)
Unrealised exchange gain	(7)	(4)
Government grant	(1)	–
Amortisation of deferred income	(164)	(122)
Operating profit before working capital changes	4,932	3,039
Increase in stocks	(4,306)	(5,321)
Decrease in receivables	1,911	578
(Decrease)/increase in payables	(1,837)	1,115
Cash generated from/(used in) operations	700	(589)
Interest received	12	13
Interest paid	(704)	(1,353)
Income tax paid	(638)	(703)
Net cash flows used in operating activities	(630)	(2,632)
Cash flow from investing activities		
Payments for property, plant and equipment [a]	(2,376)	(4,085)
Payments made in advance for property, plant and equipment [a]	(16)	(130)
Proceeds from disposal of property, plant and equipment	–	1
Purchase of financial asset held for trading	(367)	–
Net proceeds on gains on financial asset held for trading	14	–
Receipt of government grant	1	58
Net cash flows used in investing activities	(2,744)	(4,156)
Cash flow from financing activities		
Repayment of bank loans	(6,925)	–
Proceeds from bank loans	6,925	7,082
Net proceeds from rights cum warrants issue	4,158	–
Proceeds from exercise of warrants	1,403	–
Proceeds from issue of redeemable preference shares	–	4,000
Redemption of redeemable preference shares	(1,403)	(6,325)
Decrease/(increase) in pledged deposits	163	(8)
Payments for share issuance expense	(284)	(32)
Dividends paid	–	(901)
Loan due to a director	(467)	1,000
Net cash flows generated from financing activities	3,570	4,816

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	2017 $'000	2016 $'000
Net increase/(decrease) in cash and cash equivalents	196	(1,972)
Cash and cash equivalents at beginning of the year	1,012	3,098
Effects of exchange rate changes on cash and cash equivalents	(26)	(114)
Cash and cash equivalents at end of the year (Note 22)	1,182	1,012

Notes to the consolidated statement of cash flows

(a) Payment for property, plant and equipment

	2017 $'000	2016 $'000
Current year additions (Note 12)	2,901	3,795
Add/(less):		
Increase in rehabilitation asset	(645)	–
Increase in prepayments related to property, plant and equipment	16	130
Decrease in payables related to property, plant and equipment	120	290
Net cash outflow for payment for property, plant and equipment	2,392	4,215

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 2017

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. DISCONTINUED OPERATION AND ASSETS OF DISPOSAL GROUP

As disclosed in the Group's announcements dated 24 November 2017, 30 November 2017, 4 December 2017 and 9 February 2018, the Group is currently in discussion with the Sichuan Provincial Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining site in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining license.

Following discussion with the Sichuan Provincial Government on 30 November 2017 to dispose of Mine 1, Mine 2 and Fengtai mine, collectively ("the **Mining Assets**"), by sale or otherwise to the Sichuan Provincial Government, the directors are of the view that the Mining Assets are (i) available for immediate sale; (ii) the disposal is highly probable as the Sichuan Provincial Government has indicated its preference for an amicable settlement; and (iii) the Mining Assets are genuinely disposed, not abandoned.

Accordingly, the assets and directly associated liability of the Mining Assets were presented as assets of disposal group and liability directly associated with disposal group on the Group's consolidated balance sheet. Arising thereon, the results of the Group's upstream segment have been reclassified as discontinued operation on the Group's consolidated statement of comprehensive income statement. Comparatives were re-presented to conform with FY2017's presentation.

The Chinese Government has yet to finalise the compensation amount. Based on an independent valuation report of the Mining Assets, the directors are of the view that the fair value less costs of disposal of the Mining Assets is higher than their respective carrying amounts as at 31 December 2017. Accordingly, no impairment was identified for the Mining Assets for year ended 31 December 2017.

As at the date of this report, the Group is still in negotiations with the Sichuan Provincial Government for a settlement in relation to the above matter.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of SFRS(I) 9 and SFRS(I) 15 will be similar to the impact on adoption of FRS 109 and FRS 115 as disclosed in Note 3.3.

3.2 Changes in accounting policies

New and revised standards which are effective for annual financial periods beginning on or after 1 January 2017

The accounting policies adopted are consistent with those of the previous financial year except that 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 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position 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*
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019

As disclosed in Note 3.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent 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 SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

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

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

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* introduces new requirements for classification and measurement, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristic and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model, either on a 12-month or lifetime basis, and replace FRS 39 incurred cost model. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 9 in FY2018.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 *Revenue from Contracts* with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under SFRS(I) 15, 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 new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 15 based on currently available information and has preliminary determined that the overall year on year impact on the timing of revenue recognition will not be material. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in FY2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

SFRS(I) 16 *Leases*

SFRS(I) 16 *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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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

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

(b) *Business combinations and goodwill* (cont'd)

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.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

3.6 Foreign currency (cont'd)

(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.

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

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

3.7 Property, plant and equipment (cont'd)

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

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.

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)**

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.

(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'.

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

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

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial asset at fair value through profit or loss includes financial asset held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Subsequent to initial recognition, financial assets 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 assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss exclude exchange differences, interest and dividend income.

(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.

Regular way purchases and sales

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

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

3.13 Financial instruments (cont'd)

(a) *Financial assets* (cont'd)

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired, or when 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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

For the financial year ended 31 December 2017

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

3.16 Stocks (cont'd)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Non-current assets held for disposal and discontinued operations

Non-current assets and disposal groups classified as held for disposal are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for disposal if their carrying amounts will be recovered principally through disposal, by sale or otherwise, rather than through continuing use. Property, plant and equipment and intangible assets once classified as held for disposal are not depreciated or amortised.

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for disposal have been met or it has been disposed of and such component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

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

3.23 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.

(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.

3.24 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.

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

3.24 *Deferred tax*(cont'd)

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

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

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

(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.

3.25 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.

3.26 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:

(a) *Assets and liability of disposal group*

As disclosed in the Group's announcements dated 24 November 2017, 30 November 2017, 4 December 2017 and 9 February 2018, the Group is in discussion with the Sichuan Provincial Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining site in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining license. The Group's lawyers have advised that the requests may be a prelude to formal negotiations on the withdrawal of the mining and exploration licenses.

All mining related property, plant and equipment, mining properties, goodwill and mining deposits were reclassified as "assets of disposal group" in current assets on the consolidated balance sheet as at 31 December 2017, as the Group is of the view that these assets are available for immediate disposal, by sale or otherwise, in their present condition and a settlement agreement with the Sichuan Provincial Government is highly probable as it has indicated its preference for an amicable settlement. No provision for impairment has been identified as based on independent valuation, the fair value of the mining and exploration licenses are higher than the carrying value of these assets.

Provision for rehabilitation was reclassified to "liability held for disposal" in current liabilities on the consolidated balance sheet as at 31 December 2017, as the provision is directly associated to the disposal group and the Group is of the view that the cost of rehabilitation will be deducted from the settlement proceeds.

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. As at 31 December 2017, the Group had tax losses of $949,000 (2016: $903,000) available for 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.

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

4.2 Key sources of estimation uncertainty (cont'd)

(a) *Taxes* (cont'd)

The carrying amount of the Group's provision for taxation, deferred tax assets and deferred tax liabilities as at 31 December 2017 were $713,000 (2016: $556,000), Nil (2016: $64,000) and $17,385,000 (2016: $17,506,000) 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. The Group will adjust the depreciation charge where useful lives are different from 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 2017 was $25,162,000 (2016: $38,619,000).

(c) *Impairment of property, plant and equipment*

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of 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 as at 31 December 2017 was $25,162,000 (2016: $38,619,000).

(d) *Impairment of assets of disposal group*

Assets of disposal group includes all mining related property, plant and equipment, mining properties, goodwill and mining deposits.

Based on independent valuation of the mining assets, the fair value of the relevant assets is greater than their carrying value. Based on independent legal opinion, the settlement amount to be paid by a host state to an investor in the event of expropriation is based on the fair market value of the asset/(s) immediately before the expropriation event. Inevitably, uncertainties exist with respect to the recoverable amount as it is subjected to further negotiations and PRC laws.

The directors, based on currently available information, are of the opinion that the fair value less cost to sell is higher than the carrying amount of the assets held for disposal. Accordingly, no impairment loss was recorded in the consolidated income statement for FY2017. The carrying amount of assets of disposal group as at 31 December 2017 was $90,110,000 (2016: Nil).

(e) *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 recoverable amount of the cash generating units. Estimating the recoverable amount 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 2017 was $78,036,000 (2016: $72,311,000).

No impairment was recorded for investment in subsidiaries related to the disposal group for FY2017 as the recoverable amount of the disposal group is expected to be higher than the cost of investment.

5. REVENUE

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

6. OTHER INCOME

	Group 2017 $'000	Group 2016 $'000 (Re-presented)
Gains on financial asset held for trading	34	–
Interest income	12	13
Government grants and subsidy income [1]	37	70
Sale of scrap	34	113
Gain on disposal of property, plant and equipment	–	1
Amortisation of deferred income (Note 27)	164	122
Others	58	5
	339	324

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

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	Group 2017 $'000	Group 2016 $'000 (Re-presented)
Amortisation expense	(235)	(335)
Audit fees *		
– Auditors of the Company	(194)	(111)
– Affiliates of auditors of the Company	(109)	(111)
Non-audit fees *		
– Auditors of the Company	(23)	(23)
– Affiliates of auditors of the Company	(34)	–
Depreciation of property, plant and equipment	(1,773)	(1,456)
Exchange gain *	45	244
Staff costs	(2,015)	(1,803)
Defined contribution plan	(975)	(801)
Directors' fees *		
– Directors of the Company	(361)	(364)
– Directors of subsidiaries	(30)	(30)
Directors' remuneration *		
– Directors of the Company	(453)	(427)
– Directors of subsidiaries	(518)	(496)
(Loss)/gain on disposal of property, plant and equipment	(14)	1
Finance costs		
– Interest on bank loan and bank overdraft	(307)	(221)
– Interest on redeemable preference shares	(106)	(488)
– Other interest expense	(43)	(52)
– Bank charges and other finance costs	(126)	(72)

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

8. TAXATION

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the financial years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
		(Re-presented)
Current income tax – continuing operations		
– Current income taxation	548	(463)
– Over provision in respect of previous years	(95)	–
	453	(463)
Deferred income tax – continuing operations		
– Origination and reversal of temporary differences	53	(171)
Income tax expense/(credit) attributable to continuing operations	506	(634)
Income tax expense attributable to discontinued operation (Note 9)	256	437
Income tax expense/(credit) recognised in profit or loss	762	(197)

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 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	%	**%**
		(Re-presented)
Taxation at the PRC corporate tax rate	25.00	(25.00)
Adjustments on tax effect of:		
Non-deductible expenses	67.53	7.95
Income not subject to taxation	(11.47)	(6.47)
Over provision in respect of previous years	(9.65)	–
Deferred tax assets not recognised	7.81	4.71
Differences in tax rates	15.65	8.64
Benefits of previously unrecognised tax losses	(17.15)	–
Effective tax rate	77.72	(10.17)

The PRC subsidiaries are subject to income tax at rate of 25% (2016: 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 Singapore 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 Singapore company belonging to the same group, to be deducted against the assessable income of the latter company. During FY2017, the Group utilised current year tax losses of $24,000 (2016: $Nil) to set off the assessable income of certain companies within the Group.

9. DISCONTINUED OPERATION AND DISPOSAL GROUP

The Company announced on 24 November 2017, 30 November 2017, 4 December 2017 and 9 February 2018 that the Group is in discussion with the Sichuan Provincial Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining sites in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining licence. The Group's lawyers have advised that the request may be a prelude to formal negotiations on the withdrawal of the exploration licenses.

In accordance with FRS 105 *Non-current assets held for sale and discontinued operations*, all mining related property, plant and equipment, mining properties, goodwill, deposits for rehabilitation and mining levy have been reclassified as "assets of disposal group" in current assets on the consolidated balance sheet as at 31 December 2017, as the directors are of the view that the value of these assets are to be recovered via a sale transaction or otherwise and (i) they are available for immediate sale in their present condition and (ii) a settlement agreement with the Sichuan Provincial Government is highly probable as the Sichuan Provincial Government has indicated its preference for an amicable settlement. Provision for rehabilitation was reclassified as "liability of disposal group" in current liabilities on the consolidated balance sheet as at 31 December 2017 as the provision is directly associated with the disposal group and the directors are of the view that the cost of rehabilitation will be deducted from the settlement proceeds. The results from mining operations are presented separately on the consolidated income statement as "Discontinued operation".

Immediately before the classification to assets of disposal group, the recoverable amount was estimated for the mining assets. Based on independent valuation of the mining assets, the fair value of the relevant assets is greater than their carrying value. No impairment loss was identified for FY2017.

Based on legal advice received, the Company is entitled to seek compensation in international arbitration based on the fair market value of the asset/(s) immediately before the expropriation event. Accordingly, based on independent valuation report of the affected assets, the directors are of the opinion that the fair market value less cost of disposal is higher than the carrying amount of the assets and liability of disposal group.

As at the date of this report, the Group is still in negotiations with the Sichuan Provincial Government for a settlement in relation to the above matter.

Balance sheet disclosures

Group	Mining properties $'000	Mining related property, plant and equipment $'000	Goodwill $'000	Deposits for rehabilitation and mining levy $'000	Total $'000
	(Note 10)	(Note 12)	(Note 16)	(Note 14)	
Assets of disposal group					
At 30 November 2017	65,261	12,283	12,249	251	90,044
Currency realignment	3	62	–	1	66
At 31 December 2017	65,264	12,345	12,249	252	90,110

	Provision for rehabilitation $'000	Total $'000
	(Note 29)	
Liability of disposal group:		
At 30 November 2017	811	811
Currency realignment	4	4
At 31 December 2017	815	815
Net assets of disposal group		89,295

9. DISCONTINUED OPERATION AND DISPOSAL GROUP (CONT'D)

Income statement disclosures:

The results of discontinued operation for the years ended 31 December are as follows:

	Group	
	2017	2016
	$'000	$'000
Revenue	6,990	10,787
Cost of sales	(4,949)	(7,835)
Gross profit	2,041	2,952
Other income	19	13
Selling and distribution costs	(33)	(58)
General and administrative costs	(952)	(649)
Finance costs	(65)	(59)
Profit before tax from discontinued operation	1,010	2,199
Taxation	(256)	(437)
Profit from discontinued operation, net of tax	754	1,762

Cash flow statement disclosures:

The cash flows attributable to the disposal group are as follows:

	Group	
	2017	2016
	$'000	$'000
Operating	308	4,398
Investing	(1,833)	(3,277)
Financing	61	50
Net cash (outflows)/inflows	(1,464)	1,171

10. MINE PROPERTIES

	Group		
	Exploration and evaluation assets $'000	Producing mines $'000	Total $'000
Cost			
At 1 January 2016	27,977	40,203	68,180
Additions	54	–	54
Currency realignment	*	(114)	(114)
At 31 December 2016 and 1 January 2017	28,031	40,089	68,120
Additions	346	–	346
Currency realignment	(1)	(55)	(56)
Transfer to assets of disposal group (Note 9)	(28,376)	(40,034)	(68,410)
At 31 December 2017	–	–	–
Accumulated amortisation			
At 1 January 2016	–	2,298	2,298
Charge for the year	–	789	789
Currency realignment	–	(100)	(100)
At 31 December 2016 and 1 January 2017	–	2,987	2,987
Charge for the year	–	214	214
Currency realignment	–	(52)	(52)
Transfer to assets of disposal group (Note 9)	–	(3,149)	(3,149)
At 31 December 2017	–	–	–
Net carrying amount			
At 31 December 2017	–	–	–
At 31 December 2016	28,031	37,102	65,133

* denotes amount less than $1,000

Remaining useful lives	
At 31 December 2017	Not meaningful
At 31 December 2016	1 to 4 years

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.

Impairment testing

As mentioned in Note 2 and 9, no impairment was identified for FY2017.

In the prior 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 cost. Based on the outcome of the impairment test, no impairment was identified for financial year ended 31 December 2016.

11. LAND USE RIGHTS

	Group	
	2017	2016
	$'000	$'000
Cost		
At 1 January	4,836	5,059
Currency realignment	(84)	(223)
At 31 December	4,752	4,836
Accumulated amortisation		
At 1 January	301	214
Amortisation for the year	94	96
Currency realignment	(5)	(9)
At 31 December	390	301
Net carrying amount	4,362	4,535
Amount to be amortised:		
– Not later than one year	94	96
– Later than one year but not more than five years	376	384
– Later than five years	3,892	4,055
	4,362	4,535
Remaining useful lives	44 to 47 years	45 to 48 years

Land use rights represent cost of land use rights in respect of 2 (2016: 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 2017 and 2016, land use rights with carrying value of $4,362,000 (RMB 21,299,000) (2016: $4,535,000 (RMB 21,762,000)) are pledged to secure the interest-bearing bank loans (Note 25).

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Motor vehicles and office equipment $'000	Mining infra-structure [1] $'000	Construction-in-progress $'000	Total $'000
Cost							
At 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 and 1 January 2017	11,729	337	25,190	1,219	13,026	261	51,762
Additions	250	–	218	20	2,389	24	2,901
Transfers	16	–	–	–	7	(23)	–
Disposals	–	–	(17)	–	–	–	(17)
Transfer to assets of disposal group (Note 9)	(1,496)	–	(2,060)	(126)	(15,159)	(144)	(18,985)
Currency realignment	(209)	(2)	(492)	(15)	(263)	(6)	(987)
At 31 December 2017	10,290	335	22,839	1,098	–	112	34,674
Accumulated depreciation and impairment							
At 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 and 1 January 2017	1,698	231	6,387	805	4,022	–	13,143
Charge for the year	554	40	1,145	206	1,392	–	3,337
Disposals	–	–	(3)	–	–	–	(3)
Transfer to assets of disposal group (Note 9)	(513)	–	(757)	(96)	(5,336)	–	(6,702)
Currency realignment	(29)	(2)	(144)	(10)	(78)	–	(263)
At 31 December 2017	1,710	269	6,628	905	–	–	9,512
Net carrying amount							
At 31 December 2017	8,580	66	16,211	193	–	112	25,162
At 31 December 2016	10,031	106	18,803	414	9,004	261	38,619

[1] Prior to classification to assets of disposal group, mining infrastructure includes waste removal cost of $7,154,000 (2016: $6,340,000) as at 31 December 2017.

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

Assets pledged as security

At 31 December 2017, plant and equipment of the Group with a carrying amount of $14,590,000 (RMB71,240,000) (2016: $15,619,000 (RMB74,949,000)) are pledged to secure the interest-bearing bank loans (Note 25).

Impairment testing

During the financial year, management carried out a review of the recoverable amount of certain plant and machinery used in the downstream business with the carrying amount of $2,599,000 (RMB 12,688,000) (2016: $2,410,000 (RMB 11,563,000)). The recoverable amount of the plant and machinery was based on its value in use, pre-tax discount rate used was of 20% (2016: 20%). Based on the outcome of the impairment test, no impairment was identified for FY2017 and FY2016.

13. PREPAYMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Payments made in respect of				
- Land use rights	527	535	–	–
- Property, plant and equipment	168	156	–	–
	695	691	–	–
Current				
Miscellaneous prepayments	2,174	1,108	282	38

Prepayments for land use rights relate to 1 (2016: 1) leasehold land in Mianzhu City, Sichuan Province, PRC.

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

14. OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current				
Long-term deposits	–	257	–	–
Refundable deposits	34	28	–	–
	34	285	–	–
Current				
Other receivables	379	589	55	48
Refundable deposits	–	12	–	9
	379	601	55	57

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. As at 31 December 2016, these deposits are not expected to be refunded within the next 12 months. As at 31 December 2017, these deposits are classified to assets of disposal group (Note 9).

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

	Group and Company	
	2017	2016
	$'000	$'000
Euro	55	47

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Other receivables – nominal amounts	41	41	–	–
Less: Allowance for doubtful receivables	(41)	(41)	–	–
	–	–	–	–

14. OTHER RECEIVABLES (CONT'D)

Movements in allowance for doubtful receivables:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	41	43	–	–
Currency realignment	*	(2)	–	–
At 31 December	41	41	–	–

* denotes amount less than $1,000.

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

15. INTANGIBLE ASSET

	Group $'000
Cost	
At 1 January 2016	171
Currency realignment	(8)
At 31 December 2016 and 1 January 2017	163
Currency realignment	(3)
At 31 December 2017	160
Accumulated amortisation	
At 1 January 2016	114
Charge for the year	54
Currency realignment	(5)
At 31 December 2016 and 1 January 2017	163
Currency realignment	(3)
At 31 December 2017	160
Net carrying amount	
At 31 December 2017	–
At 31 December 2016	–
Remaining useful lives	
At 31 December 2017	–
At 31 December 2016	–

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

16. GOODWILL

	Group 2017 $'000	Group 2016 $'000
At 1 January	12,249	12,249
Transfer to assets of disposal group (Note 9)	(12,249)	–
At 31 December	–	12,249

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

Impairment testing

Goodwill acquired through business combination was 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.

As mentioned in Note 2 and 9, no impairment was identified for FY2017.

In FY2016, the recoverable amount of LYR CGU was 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 was a more appropriate basis for the VIU computations for the exploration and mining assets, as the computation were based on the proved and probable reserves and measured resources and expected annual production levels. Assumptions made were 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 were as follows:

	Group 2017	Group 2016
Long-term growth rate	–	3.0%
Pre-tax discount rate	–	18.89%

Key assumptions used in the VIU calculations

VIU for the LYR CGU was 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.

16. GOODWILL (CONT'D)

Key assumptions used in the VIU calculations (cont'd)

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

(a) Budgeted revenue and costs were based on production volume and commodity prices:

(i) Production volume: Estimated production volumes were 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 were 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 had specific reserve characteristics and economic circumstances, the cash flows of the assets were 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 costs of sales: Forecast commodity prices and costs of sales were 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 was based on best estimates of the management and did not exceed the long-term average growth rate of the market relevant to the CGU.

(c) Pre-tax discount rate: discount rate calculation was 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 was derived from the expected return on investment by the Group's investors. The cost of debt was based on long term borrowing rates in the PRC.

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 at 31 December 2016, the estimated recoverable amount of the LYR CGU exceeded its carrying amount by approximately $1,992,000. It was estimated that each of the following adverse changes in the key assumptions would lead to impairment of the LYR CGU:

	Group	
	2017	**2016**
	%	**%**
	Increase/(decrease)	
Budgeted revenue	–	(1.02)
Budgeted costs	–	1.58
Long-term growth rate	–	(12.75)
Pre-tax discount rate	–	2.75

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	$'000	$'000
Unquoted shares, at cost:		
At 1 January	72,311	59,022
Additions during the year	5,725	13,289
At 31 December	78,036	72,311

During FY2017, the Company subscribed for 5,725,000 new ordinary shares in the issued and paid-up share capital of its subsidiary.

On 29 May 2017, the Company incorporated a wholly-owned subsidiary, APC Limited, in Hong Kong. The issued and paid-up capital of the new subsidiary is HKD$1.00, comprising 1 ordinary share.

In the prior year, the Company capitalised advances receivable of $12,612,000 and interest receivable of $677,000 (Note 21) 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 2017	2016
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
APC Limited^ (Hong Kong)	Investment holding (Hong Kong)	100	–
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

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 2017**	**2016**
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
+ Audited by Ernst & Young Hua Ming LLP, Chengdu Branch for consolidation purpose
^ No audit is required for FY2017.

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

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.

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 $'000	Accumulated non-controlling interest at the end of the reporting period $'000	Dividends paid to non-controlling interest $'000
2017					
Deyang Fengtai Mining Co., Ltd.	People's Republic of China	45%	–	9,463	–
2016					
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

	2017 $'000	2016 $'000
Current assets	29,082	1,015
Current liabilities	(8,197)	(1,161)
Net current assets/(liabilities)	20,885	(146)
Non-current assets	–	28,094
Non-current liabilities	–	(6,994)
Net non-current assets	–	21,100
Net assets	20,885	20,954

Summarised statement of comprehensive income

	2017 $'000	2016 $'000
Loss before taxation	(70)	(13)
Loss after taxation representing total comprehensive income for the year	(70)	(13)

17. INVESTMENT IN SUBSIDIARIES (CONT'D)

c. Summarised financial information of a subsidiary with material non-controlling interest (cont'd)

Other summarised information

	2017 $'000	2016 $'000
Net cash flows from operating activities	(65)	(41)
Net cash flows from financing activities	61	50

18. STOCKS

	Group	
	2017 $'000	2016 $'000
Balance sheet		
Raw materials and packaging, at cost	5,871	4,431
Finished goods, at cost	6,264	3,510
	12,135	7,941
Consolidated statement of comprehensive income		
Stocks recognised as an expense in cost of sales		
– Continuing operations	37,275	21,255
– Discontinued operation	4,949	7,835

19. TRADE RECEIVABLES

	Group	
	2017 $'000	2016 $'000
Trade receivables	827	1,320
Note receivables	158	2,655
	985	3,975

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.

Trade receivables are denominated in the functional currencies of the respective entities as at 31 December 2017 and 2016.

Note receivables

Notes receivables have maturity of one to eight (2016: one to six) months at the end of the reporting period.

At 31 December 2017, notes receivables accepted by banks in the PRC with carrying amount of $9,513,000 (approximately RMB46,450,000) (2016: $6,974,000 (approximately RMB33,465,000)) ("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 (2016: one to five) months at the end of the reporting period. In the opinion of the directors of the Group, the Group has 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.

19. TRADE RECEIVABLES (CONT'D)

Note receivables (cont'd)

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 FY2017, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes (2016: 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 $786,000 (2016: $347,000) 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	
	2017	**2016**
	$'000	**$'000**
Less than one month past due	506	–
More than one month but less than three months past due	239	165
More than three months past due	41	182
	786	347

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	
	2017	**2016**
	$'000	**$'000**
Trade receivables – nominal amounts	52	52
Less: Allowance for doubtful trade receivables	(52)	(52)
	–	–

19. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

Movements in allowance for doubtful trade receivables:

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	52	55
Currency realignment	*	(3)
At 31 December	52	52

* denotes amount less than $1,000.

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. FINANCIAL ASSET HELD FOR TRADING

	Group	
	2017	**2016**
	$'000	**$'000**
Financial asset held for trading	389	–

During the year, the Group subscribed to a financial product with a rate of return of up to 3.7% per annum. The financial product has no maturity date.

The Group classified the financial product as financial asset held for trading as the Group's intention is to trade the financial product for short-term profit in the near term. The Group has since disposed the financial product in January 2018.

21. Amounts due from/(to) subsidiaries

	Company	
	2017	**2016**
	$'000	**$'000**
Amounts due from subsidiaries		
– Advances	4,517	3,695
– Non-trade	1,838	79
– Interest receivable	448	264
	6,803	4,038
Amounts due to subsidiaries		
– Advances	(98)	(653)
– Non-trade	(2,885)	(586)
	(2,983)	(1,239)

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONT'D)

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 $832,000 (2016: $30,000), interest is charged on advances due from subsidiaries at 5% (2016: 5%) per annum for FY2017.

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

22. 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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash and bank balances	2,203	2,588	1,130	1,027
Less: Bank overdraft (secured)	–	(392)	–	(392)
Less: Pledged deposits	(1,021)	(1,184)	(1,021)	(1,015)
Cash and cash equivalents/(bank overdraft)	1,182	1,012	109	(380)

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 0.66% (2016: 0.71%) per annum.

As at 31 December 2017, pledged deposits include amounts pledged for bank overdraft facility and mining activities of $1,021,000 (2016: $1,015,000) and Nil (2016: $169,000) respectively. Deposit pledged for mining activities was discharged during FY2017.

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States Dollar ("USD")	401	89	10	12
Euro	29	*	29	*

* denotes amount less than $1,000.

23. 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 are denominated in the functional currencies of the respective entities as at 31 December 2017 and 2016.

24. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Payables related to:				
– Taxes other than income tax	873	1,299	–	–
– Payroll and welfare payable	459	372	–	–
– Property, plant and equipment	553	514	–	–
Other payables	1,743	1,456	84	6
Dividends on redeemable preference shares	–	189	–	–
Deposits received	633	744	–	–
Accrued liabilities	860	995	157	139
	5,121	5,569	241	145

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 2017 and 2016.

25. INTEREST-BEARING BANK LOANS

	Group	
	2017	2016
	$'000	$'000
Short term bank loans	6,963	7,086
Add: Loan due to a director (Note 26)	–	1,000
Total loans and borrowings	6,963	8,086

The fixed-rate bank loans are denominated in RMB, bear interest at 5.5% to 6.53% (2016: 5.0% to 6.5%) per annum and are repayable on their maturity dates in 2018 (2016: 2017).

The bank loans were secured by land use rights (Note 11) and certain property, plant and equipment (Note 12). The Company has also provided a corporate guarantee for bank loan of $4,915,000 (RMB24,000,000) (2016: 5,002,000 (RMB24,000,000)).

A reconciliation of liabilities arising from financing activities is as follows:

	2016	Cash flows	Non-cash changes		2017
Group			Foreign exchange movement	Others	
	$'000	$'000	$'000	$'000	$'000
Short term bank loans	7,086	–	(123)	–	6,963
Loan due to a director (Note 26)	1,000	(467)	–	(533)	–
	8,086	(467)	(123)	(533)	6,963

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 extended a loan of $1,000,000, (the "Dr. Ong Loan"), to the Company, which was interest-free, unsecured and with a maturity period of six (6) months.

In connection with the Rights cum Warrants Issue (Note 31), Dr. Ong had executed a deed of undertaking in favour of the Company (the "Deed of Undertaking"), pursuant to which he had unconditionally and irrevocably undertaken that, in addition to accepting the Rights Shares with Warrants which he would be allocated, he would subscribe for up to 30,834,847 Rights Shares with Warrants which were not taken up by the other entitled shareholders or their renouncees (the "Excess Rights") by way of excess application (subject to availability).

The loan amount was 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 was 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 was obliged to subscribe for), such remaining balance shall be fully repaid by the Company out of a portion of the net proceeds of the Rights cum Warrants Issue.

On 24 March 2017, $533,000 of the Dr. Ong Loan was settled via issuance of Rights Shares. The remaining balance $467,000 was fully repaid from net proceeds of the Rights cum Warrants Issue on 29 March 2017.

27. DEFERRED INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	2,237	2,407
Received during the year	–	58
Recognised in profit or loss during the year	(164)	(122)
Currency realignment	(39)	(106)
At 31 December	2,034	2,237
Net carrying amount:		
Current liabilities	–	35
Non-current liabilities	2,034	2,202
	2,034	2,237

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 2017 $'000	Group 2016 $'000
Deferred tax assets	–	(64)
Deferred tax liabilities	17,385	17,506
At 31 December	17,385	17,442

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

Group	Unutilised tax losses $'000	Deferred income $'000	Unremitted foreign income $'000	Difference in depreciation for tax purpose $'000	Fair value adjustments on acquisition of subsidiary $'000	Total $'000
At 1 January 2016	–	(599)	42	1,745	16,717	17,905
Charge/(credit) to profit or loss during the year	(443)	22	337	(87)	(241)	(412)
Currency realignment	–	26	–	(77)	–	(51)
At 31 December 2016	(443)	(551)	379	1,581	16,476	17,442
Charge/(credit) to profit or loss during the year	443	32	(337)	(85)	(92)	(39)
Currency realignment	–	10	–	(28)	–	(18)
At 31 December 2017	–	(509)	42	1,468	16,384	17,385

Unrecognised tax losses

As at 31 December 2017, the Group has tax losses and deductible temporary differences totaling approximately $949,000 (2016: $903,000) 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.

29. PROVISION FOR REHABILITATION

	Group	
	2017	2016
	$'000	$'000
At 1 January	170	177
Additions	645	–
Currency realignment	(4)	(7)
Transfer to liability of disposal group (Note 9)	(811)	–
At 31 December	–	170

The rehabilitation provision represents the present value of rehabilitation costs relating to the Group's mining sites, which are expected to be incurred upon the cessation of mining activities.

As at 31 December 2017, the provision was made with reference to the rehabilitation costs estimated by the local authorities in accordance to the notice from the Mianzhu Forestry Bureau. Provision for rehabilitation were reclassified to "liability of disposal group" in current liabilities on the consolidated balance sheet as at 31 December 2017 (Note 9), as the liability is directly associated to the disposal group and the directors are of the view that the cost of rehabilitation will be deducted from the settlement proceeds.

In the prior year, the provision for rehabilitation was based on the Group's internal estimates, and discounted at rates ranging from 3.64% to 3.77%.

30. REDEEMABLE PREFERENCE SHARES

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

On 15 May 2014, the Group issued the 2014 RPS 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 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 shares of a subsidiary (issued to such 2014 RPS holders at the direction of the Group upon conversion of the CLN).

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

30. REDEEMABLE PREFERENCE SHARES (CONT'D)

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 bore interest at 8% per annum and the contracted maturity date was 26 January 2021. The 2016 RPS was recorded as financial liabilities at amortised cost upon initial recognition.

As at 31 December 2016, the 2016 RPS was 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	
	2017	**2016**
	$'000	**$'000**
At 1 January	5,725	8,050
Redemption	(5,725)	(8,050)
Issuance of 2016 RPS	–	5,725
At 31 December	–	5,725

Early redemption of 2016 RPS

In connection with the Rights cum Warrants Issue (Note 31), as at 31 December 2016, the 2016 RPS Holders, NWC and the Company have executed a deed under which it was agreed that, *inter alia*, an early redemption of the 2016 RPS ("**Redemption**") will be effected ahead of the maturity date (the "**Deed**").

The key terms of the Deed were as follows:

(a) each 2016 RPS Holders irrevocably agreed to the 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 Redemption and in accordance with the terms and conditions of the Deed;

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

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

30. REDEEMABLE PREFERENCE SHARES (CONT'D)

5,725,000 Redeemable Preference Shares (the "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 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 there were insufficient Rights Shares with Warrants to satisfy the allotment and issuance for the redemption of the 2016 RPS in full, the value (based on the Issue Price) of the shortfall of the Rights Shares with Warrants required to fully redeem the 2016 RPS shall be paid in cash. On 24 March 2017, $4,322,000 of the 2016 RPS were settled via issuance of Rights Shares. The remaining $1,403,000 of the 2016 RPS were fully repaid from the net proceeds of the Rights cum Warrants Issue on 29 March 2017.

31. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and paid-up ordinary shares				
At 1 January	901,319	68,151	901,319	68,151
Issue of new ordinary shares	130,206	10,416	–	–
Share issuance expenses	–	(284)	–	–
At 31 December	1,031,525	78,283	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.

Rights cum Warrants Issue

On 30 December 2016, the Company announced a renounceable non-underwritten rights issue (the "Rights cum Warrants Issue") of up to 112,664,875 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of $0.08 for each Rights Share, with up to 112,664,875 free detachable and transferable warrants (the "Warrants"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at the exercise price of $0.08 for each New Share ("Exercise Price"), 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") held by the shareholders of the Company.

On 24 March 2017, the Company completed the issuance of 112,664,875 Rights Shares and 112,664,875 Warrants for cash consideration of $9,013,000.

31. SHARE CAPITAL (CONT'D)

Principal Terms of the Warrants

The Warrants were issued free with the Rights Shares on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for, fractional entitlements, if any, to be disregarded.

Each Warrant carries the right to subscribe for one (1) New Share at the Exercise Price of $0.08 for each New Share within the period commencing on and including the date of issue of the Warrants and expiring on 23 March 2020 being the date immediately preceding the third (3rd) anniversary of the date of issue of the Warrants (the "Exercise Period").

During FY2017, pursuant to the exercise of 17,540,810 Warrants, the Company issued 17,540,810 New Shares for cash consideration of $1,403,000. Accordingly, as at 31 December 2017, the Company has 95,124,065 (2016: Nil) outstanding Warrants, exercisable into 95,124,065 (2016: Nil) New Shares.

32. RESERVES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Retained earnings	9,569	9,517	4,799	6,544
Foreign currency translation reserve	1,483	2,234	–	–
Merger reserve	850	850	–	–
Safety fund surplus reserve	1,018	856	–	–
	12,920	13,457	4,799	6,544

(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.

33. (LOSS)/EARNINGS PER SHARE

a) Earnings per share computations

The basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings/(loss) per share computation and by the weighted average number of ordinary shares outstanding during the financial 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 respectively.

The following tables reflect the profit/(loss) data used in the computation of basic and diluted earnings per share for the years ending 31 December:

	Group		
	Loss from continuing operations, net of tax $'000	Profit from discontinued operation, net of tax $'000	Profit/(loss) for the year $'000
2017	(540)	754	214
2016	(3,496)	1,762	(1,734)

	Group	
	2017 '000	2016 '000
Weighted average number of ordinary shares for basic earnings/ (loss) per share computation	996,745	901,319
Effects of dilution		
– exercise of Warrants	7,788	–
Weighted average number of ordinary shares for diluted earnings/ (loss) per share computation	1,004,533	901,319

b) Continuing operations

Basic and diluted loss per share from continuing operations are calculated by dividing the loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings/(loss) per share computation and by the weighted average number of ordinary shares for diluted earnings/(loss) per share computation, respectively. The profit and share data are presented in the tables in Note 33(a) above.

For FY2016, the weighted average number of shares used for calculating basic and diluted loss per share were the same as there were no potential dilutive instruments. For FY2016, the loss per share has not been adjusted for the dilutive effect of the Rights cum Warrants Issue (Note 31), as the transaction which occurred in FY2017 does not affect the amount of capital used to generate profit or loss for FY2016.

33. (LOSS)/EARNINGS PER SHARE (CONT'D)

c) Discontinued operation

Basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings/(loss) per share computation and weighted average number of ordinary shares for diluted earnings/(loss) per share computation respectively. The profit and share data are presented in the tables in Note 33(a) above.

34. 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 and long-term deposits by operating segments is regularly provided to the Chief Operating Decision Maker. Goodwill is managed on a group basis.

34. SEGMENT INFORMATION (CONT'D)

	Upstream (discontinued)		Downstream		Adjustments and eliminations		Note	Per consolidated financial statements	
	2017	2016	2017	2016	2017	2016		2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Consolidated statement of comprehensive income									
Revenue – external	6,990	10,787	44,085	23,558	(6,990)	(10,787)	A, B	44,085	23,558
(Loss)/gain on disposal of property, plant and equipment	–	–	–	–	(14)	1	C	(14)	1
Depreciation and amortisation expense	(1,637)	(2,499)	(1,670)	(1,456)	1,299	2,164	B, C	(2,008)	(1,791)
Interest income	–	–	–	–	12	13	C	12	13
Interest expense	(59)	(58)	–	–	(397)	(703)	B, C	(456)	(761)
Fair value gains on financial asset held for trading	–	–	–	–	34	–	C	34	–
Termination of services of employees	(101)	–	–	–	101	–	B	–	–
Segment profit/(loss) before tax	1,010	2,199	5,285	1,205	(6,329)	(7,534)	D	(34)	(4,130)
Assets									
Additions to non-current assets	2,864	3,312	374	493	9	44	E	3,247	3,849

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 The amounts relating to upstream segment has been excluded to arrive at the amounts shown in the profit or loss as they are presented separately in the statement of comprehensive income within one line item, "profit from discontinued operation, net of tax".

C Adjustments relate to unallocated corporate income and expenses.

34. SEGMENT INFORMATION (CONT'D)

D The following items are added to/(deducted from) segment profit/(loss) to arrive at loss before tax, from continuing operations presented in the consolidated statement of comprehensive income:

	Group 2017 $'000	Group 2016 $'000
Segment results of discontinued operation	(1,010)	(2,199)
(Loss)/gain on disposal of property, plant and equipment	(14)	1
Interest income	12	13
Government grant and subsidy income	37	70
Gains on financial asset held for trading	34	–
Exchange gain	45	244
Interest expense	(456)	(762)
Other corporate expenses	(4,977)	(4,901)
	(6,329)	(7,534)

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

E Additions to non-current assets comprise additions to mine properties and property, plant and equipment.

Geographical information

Revenue information based on the geographical location of customers and non-current assets are as follows:

	Group 2017 Revenue $'000	Group 2017 Non-current assets $'000	Group 2016 Revenue $'000	Group 2016 Non-current assets $'000
People's Republic of China	49,661	30,128	33,783	121,236
Singapore	–	125	–	340
Others	1,414	–	562	–
Discontinued operation	(6,990)	–	(10,787)	–
Total	44,085	30,253	23,558	121,576

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

34. SEGMENT INFORMATION (CONT'D)

Information about major customers

	Group			
	2017		2016	
	$'000	% of revenue	$'000	% of revenue
Customer A (1)	2,250	4	5,636	16

(1) Upstream segment

Information about products

Revenue information based on products is as follows:

	Group	
	2017	2016
	$'000	$'000
Elemental phosphorus and its by-products	42,234	22,581
Sodium Tripolyphosphate	1,083	627
Sodium Hexametaphosphate	504	298
Others *	264	52
Revenue from continuing operations	44,085	23,558
Revenue from discontinued operation	6,990	10,787
	51,075	34,345

* Others represent trading revenue from other phosphate chemicals.

35. 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	
	2017	2016
	$'000	$'000
Short-term employee benefits	1,314	1,269
Central Provident Fund contributions	48	48
	1,362	1,317
Comprise amounts paid to:		
Directors of the Company	814	791
Other key management personnel	548	526
	1,362	1,317

35. 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, each held no less than 20% equity interest in Astute Ventures.

For FY2017, interest expense relating to the 2016 RPS paid and payable to Dr. Ong and Astute Ventures amounted to $78,000 (2016: $306,000). The interest on the 2016 RPS was paid in March 2017 and August 2016. On 24 March 2017, the 2016 RPS issued to Dr. Ong and Astute Ventures were settled via issuance of Rights Shares.

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

On 24 March 2017, $533,000 of the Dr. Ong Loan was settled via issuance of Rights Shares. The remaining balance $467,000 was fully repaid from net proceeds of the Rights cum Warrants Issue on 29 March 2017.

(c) During FY2016, the Company 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.

36. 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.

36. 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 37 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 93% (2016: 87%) as of the Group's trade receivables were due from 5 (2016: 5) customers as at 31 December 2017 and 2016.

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.

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
2017				
Financial assets				
Trade receivables	985	–	–	985
Other receivables	379	34	–	413
Financial asset held for trading	389	–	–	389
Cash and bank balances	2,203	–	–	2,203
Assets of disposal group	252	–	–	252
Total undiscounted financial assets	4,208	34	–	4,242
Financial liabilities				
Trade payables	(4,439)	–	–	(4,439)
Other payables	(5,121)	–	–	(5,121)
Interest-bearing bank loans	(7,206)	–	–	(7,206)
Total undiscounted financial liabilities	(16,766)	–	–	(16,766)
Total net undiscounted financial (liabilities)/assets	(12,558)	34	–	(12,524)
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
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)

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
2017				
Financial assets				
Other receivables	55	–	–	55
Amounts due from subsidiaries	6,803	–	–	6,803
Cash and bank balances	1,130	–	–	1,130
Total undiscounted financial assets	7,988	–	–	7,988
Financial liabilities				
Other payables	(241)	–	–	(241)
Amounts due to subsidiaries	(2,983)	–	–	(2,983)
Total undiscounted financial liabilities	(3,224)	–	–	(3,224)
Total net undiscounted financial assets	4,764	–	–	4,764
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

36. 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 USD.

For FY2017, approximately 3% (2016: 2%) 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 22. 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 SGD against USD would have no significant financial impact on the Group's financial performance.

The Group's exposure to the risk of changes in foreign exchange rates mainly arises from RMB denominated balances held by Singapore entities within the Group and SGD denominated balances held by a PRC subsidiary. At 31 December 2017, if RMB strengthened/weakened against Singapore Dollar by 5% (2016: 5%), with all other variables held constant, the Group's net profit before tax would have decreased/increased by $344,000 (2016: decreased/increased by $213,000).

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.

37. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

Classification of financial instruments

Group	Fair value through profit or loss $'000	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ (liabilities) $'000	Total $'000
2017					
Assets					
Land use rights	–	–	–	4,362	4,362
Property, plant and equipment	–	–	–	25,162	25,162
Prepayments	–	–	–	2,869	2,869
Other receivables	–	413	–	–	413
Stocks	–	–	–	12,135	12,135
Trade receivables	–	985	–	–	985
Financial asset held for trading	389	–	–	–	389
Cash and bank balances	–	2,203	–	–	2,203
Assets of disposal group	–	252	–	89,858	90,110
	389	3,853	–	134,386	138,628
Liabilities					
Trade payables	–	–	(4,439)	–	(4,439)
Other payables	–	–	(5,121)	–	(5,121)
Advances from customers	–	–	–	(492)	(492)
Interest bearing bank loans	–	–	(6,963)	–	(6,963)
Provision for taxation	–	–	–	(713)	(713)
Liability of disposal group	–	–	–	(815)	(815)
Deferred tax liabilities	–	–	–	(17,385)	(17,385)
Deferred income	–	–	–	(2,034)	(2,034)
	–	–	(16,523)	(21,439)	(37,962)

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

Classification of financial instruments (cont'd)

Group	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ (liabilities) $'000	Total $'000
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)

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

Classification of financial instruments (cont'd)

Company	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ (liabilities) $'000	Total $'000
2017				
Assets				
Investment in subsidiaries	–	–	78,036	78,036
Other receivables	55	–	–	55
Prepayments	–	–	282	282
Amounts due from subsidiaries	6,803	–	–	6,803
Cash and bank balances	1,130	–	–	1,130
	7,988	–	78,318	86,306
Liabilities				
Other payables	–	(241)	–	(241)
Amounts due to subsidiaries	–	(2,983)	–	(2,983)
	–	(3,224)	–	(3,224)
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)

38. FAIR VALUE OF ASSETS AND LIABILITIES

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, financial asset held for trading, 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.

39. COMMITMENTS

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 11, 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	
	2017	**2016**
	$'000	**$'000**
Not later than one year	134	79
Later than one year but not later than five years	207	–
	341	79

Minimum lease payments excluding amortisation of land use rights recognised as an expense in profit or loss in FY2017 amounted to $116,000 (2016: $112,000).

(b) Corporate guarantee

The Company has provided a corporate guarantee for a bank loan of $4,915,000 (RMB 24,000,000) (2016: $5,002,000(RMB 24,000,000)) (Note 25) drawn down by a subsidiary.

40. 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 FY2017 and FY2016.

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 loans, 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 FY2017, the capital management policy of the Group is to keep the gearing ratio below 40% (2016: 40%).

	Group	
	2017	**2016**
	$'000	**$'000**
Bank overdraft (secured)	–	392
Trade payables	4,439	6,022
Other payables	5,121	5,569
Advances from customers	492	455
Interest-bearing bank loans	6,963	7,086
Redeemable preference shares	–	5,725
Loan due to a director	–	1,000
Less: Cash and bank balances	(2,203)	(2,588)
Net debt	14,812	23,661
Total capital	91,203	81,608
Capital and net debt	106,015	105,269
Gearing ratio	14.0%	22.5%

41. DIVIDENDS

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Declared and paid during the financial year		
- Final exempt (one-tier) dividend for 2017: Nil (2016: 0.1 cent per share)	–	901

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Interest-bearing bank loans

In January 2018, the Group has successfully rolled over two existing interest-bearing bank loans which were due in January 2018. The principal value of the loans is $2,048,000 (RMB10,000,000), with interest of 6.25% per annum. The new loans will expire in January 2019.

(b) Renewal of Fengtai exploration license

On 10 January 2018, the Group receive a notice from the Sichuan Provincial Authority to *inter alia*, submit further documentation to supplement as well as make certain rectifications to the renewal application for Fengtai exploration license. The deadline for the submission of these further documentation is 27 June 2018.

(c) Renewal of Mine 1 mining license

On 9 February 2018, the Group received a notice from the Sichuan Provincial Authority in respect of its decision on the Mine 1 renewal application (the "Mine 1 Notice of Non-Renewal").

According to the Mine 1 Notice of Non-Renewal, the Sichuan Provincial Authority had reviewed the Mine 1 Renewal Application and had found Mine 1 to be located within the panda national park. The Sichuan Provincial Authority, after taking into account the relevant notices in respect of panda national parks, had decided not to approve the Mine 1 Renewal Application due to public interest considerations, as it was of the view that the exploitation of Mine 1 would cause damage to the panda national park environment.

As at the date of this report, the Group is still in negotiations with the Sichuan Provincial Government for a settlement in relation to the non-renewal of the Mine 1 mining license.

43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 March 2018.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 26 March 2018)

Name of Substantial Shareholder		No. of Shares (Direct interest)	% [1]	No. of Shares (Deemed interest)	% [1]
1.	Astute Ventures Pte. Ltd. ("**Astute Ventures**")	270,025,455	26.18	–	–
2.	FICA (Pte.) Ltd. ("**FICA**") [2]	230,653,636	22.36	–	–
3.	Dr. Ong Hian Eng ("**Dr. Ong**") [2][3]	9,024,394	0.87	242,137,677	23.47
4.	Ong Bee Kuan Melissa [4]	5,367,190	0.52	270,025,455	26.18
5.	Luo Yong	62,277,900	6.04	–	–

Notes:

(1) Based on the issued share capital of 1,031,524,685 ordinary shares in the capital of the Company ("**Shares**") as at 26 March 2018.

(2) FICA is controlled by Dr. Ong and he is therefore deemed to be interested in the 230,653,636 Shares held by FICA.

(3) Dr. Ong is also deemed to be interested in the 11,484,041 Shares held by his spouse.

(4) Ong Bee Kuan Melissa is entitled to exercise not less than 20% of the votes attached to the voting shares in the share capital of, Astute Ventures. She is deemed to be interested in the 270,025,455 Shares held by Astute Ventures.

STATISTICS OF SHAREHOLDINGS

As at 26 March 2018

Issued and fully paid-up capital	:	S$78,283,169
Number of ordinary shares in issue (excluding treasury shares and subsidiary holdings)	:	1,031,524,685
Number of treasury shares held	:	Nil
Number of subsidiary holdings	:	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	11	0.96	264	0.00
100 - 1,000	33	2.88	19,780	0.00
1,001 - 10,000	141	12.32	949,700	0.09
10,001 - 1,000,000	897	78.34	135,280,838	13.12
1,000,001 AND ABOVE	63	5.50	895,274,103	86.79
TOTAL	**1,145**	**100.00**	**1,031,524,685**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ASTUTE VENTURES PTE LTD	270,025,455	26.18
2	FICA (PTE) LTD	230,653,636	22.36
3	LUO YONG	62,277,900	6.04
4	WYY INVESTMENT HOLDINGS PTE LTD	44,985,861	4.36
5	ONG BEE PHENG (WANG MEIPING)	33,084,041	3.21
6	RAFFLES NOMINEES (PTE) LIMITED	26,467,032	2.57
7	HWA HONG EDIBLE OIL INDUSTRIES PTE LTD	22,375,542	2.17
8	DBS NOMINEES (PRIVATE) LIMITED	14,142,741	1.37
9	HONG LEONG FINANCE NOMINEES PTE LTD	12,724,600	1.23
10	UOB KAY HIAN PRIVATE LIMITED	10,960,200	1.06
11	WATERWORTH PTE LTD	10,000,000	0.97
12	WONG LAI LENG SERENE	9,700,000	0.94
13	KONG SOU YAN	8,825,800	0.86
14	CITIBANK NOMINEES SINGAPORE PTE LTD	8,535,161	0.83
15	PHILLIP SECURITIES PTE LTD	7,941,550	0.77
16	OCBC SECURITIES PRIVATE LIMITED	6,920,025	0.67
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,674,188	0.65
18	KOH LI HAN ERIC (XU LIHAN ERIC)	6,223,400	0.60
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,133,600	0.59
20	ONG BEE KUAN MELISSA (WANG MEIJUAN MELISSA)	5,367,190	0.52
	TOTAL	**804,017,922**	**77.95**

PUBLIC FLOAT

Based on the information available to the Company as at 26 March 2018, approximately 29.87% of the issued ordinary shares (excluding treasury shares and subsidiary holdings) 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.

STATISTICS OF WARRANTHOLDINGS

As at 26 March 2018

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	6	2.17	209	0.00
100 - 1,000	6	2.17	3,475	0.01
1,001 - 10,000	72	25.99	393,431	0.41
10,001 - 1,000,000	169	61.01	23,802,165	25.02
1,000,001 AND ABOVE	24	8.66	70,924,785	74.56
TOTAL	277	100.00	95,124,065	100.00

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	ONG AH WHATT	10,000,000	10.51
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,000,000	7.36
3	OCBC SECURITIES PRIVATE LIMITED	6,702,425	7.05
4	STANLEY TANG CHONG NGAM	3,860,000	4.06
5	ONG BEE PHENG (WANG MEIPING)	3,676,004	3.86
6	UOB KAY HIAN PRIVATE LIMITED	3,434,900	3.61
7	NEO KIM KUEK	3,400,000	3.57
8	PHILLIP SECURITIES PTE LTD	3,337,850	3.51
9	LI LIQIN	3,033,300	3.19
10	LEE SOO HIAN JAMES	2,800,000	2.94
11	TEO CHIANG CHAI	2,500,000	2.63
12	LIN GUINU	2,482,400	2.61
13	NG CHIT BER	2,300,000	2.42
14	MAHTANI BHAGWANDAS	2,250,000	2.37
15	CHUA PHECK KIANG RINA	1,900,000	2.00
16	RAFFLES NOMINEES (PTE) LIMITED	1,822,688	1.92
17	ONG ENG KEONG (WANG RONGKANG)	1,651,004	1.74
18	HENG PAUL STEPHEN	1,624,000	1.71
19	CHEN WENYING	1,600,000	1.68
20	GRACE KONG SOU HUI	1,276,004	1.34
	TOTAL	**66,650,575**	**70.08**

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 Thursday, 26 April 2018 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 2017 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. Hong Pian Tee **(Resolution 2)**
   Ms. Ong Bee Pheng **(Resolution 3)**

   [See Explanatory Note (i)]

3. To approve the Directors' fees of S$240,000 for the financial year ending 31 December 2018, payable quarterly in arrears. (2017: 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 ordinary shares in the capital of the Company and/or Instruments (as defined herein)**

   That pursuant to Section 161 of the Companies Act (Chapter 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 ordinary 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 and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this 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 and subsidiary holdings) (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 and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings) on the day preceding the relevant date of the award.

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

8. **Proposed Adoption of the Share Buyback Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:

(i) on-market purchases transacted on the SGX-ST's through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose ("**Market Purchases**"); and/or

(ii) off-market purchases (if effected otherwise than on the SGX-ST) made in accordance with an equal access scheme as defined in Section 76C of the Companies Act ("**Off-Market Purchases**"),

and otherwise in accordance with the Companies Act, the Catalist Rules and such other laws and regulations as may for the time being be applicable be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this ordinary resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held or required by law to be held (whereupon it will lapse, unless renewed at such meeting);
(ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company at general meeting (if so varied or revoked prior to the next AGM); or
(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(c) for purposes of this ordinary resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the Catalist Rules for any corporate action that occurs after the relevant five (5)-Market Day period;

"**date of the making of the offer**" the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Maximum Limit**" means 10.0% of the issued Shares as at the date of the AGM at which the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital by a special resolution in accordance with the applicable provisions of the Companies Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered by such capital reduction (the total number of Shares shall exclude any Shares that may be held as treasury shares and subsidiary holdings by the Company from time to time);

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105.0% of the Average Closing Price; and
(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120.0% of the Average Closing Price;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

"**Relevant Period**" means the period commencing from the date on which the resolution relating to the proposed adoption of the Share Buyback Mandate is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier;

(d) any of the Directors be and is hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Buyback Mandate in any manner as he thinks fit in the interests of the Company; and

(e) any of the Directors be and is hereby authorised to complete and do all such acts, matters or things (including but not limited to approving, amending, modifying, supplementing and executing all such documents as may be required), as he may consider necessary, desirable, expedient, incidental to, ancillary to, or in the interests of the Company to give effect to this ordinary resolution as he may deem fit.

[See Explanatory Note (iv)] **(Resolution 8)**

By Order of the Board

Kenneth Leong
Company Secretary
Singapore,
11 April 2018

Explanatory Notes:

(i) Mr. Hong Pian Tee, upon re-election as a Director, will remain as the Non-Executive Chairman of the Board, a member of the Audit Committee and the Remuneration Committee of the Company. The Board of Directors of the Company (the **"Board"**), save for Hong Pian Tee, considers him independent for the purposes of Rule 704(7) of the Catalist Rules.

Ms. Ong Bee Pheng, upon re-election as a Director, will remain as a Non-Executive Director.

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 2017.

(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 and subsidiary holdings), 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 and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings) 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.

(iv) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buyback Mandate. This authority will continue in force until the date on which the next AGM of the Company is held or required by law to be held (whereupon it will lapse, unless renewed at such meeting), the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company at general meeting (if so varied or revoked prior to the next AGM) or the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, whichever is the earliest. Information relating to this proposed Resolution is set out in the Appendix to the Annual Report 2017.

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.

For the purpose of these Notes:

"Relevant Intermediary" means:

(i) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore 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;

(ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

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

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.

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 notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Asian Corporate Advisors Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Liau H.K..
Telephone number: +65 6221 0271

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

PROXY FORM
(Please see notes overleaf before completing this Form)

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").

*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 Thursday, 26 April 2018 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 2017 together with the Independent Auditors' Report thereon		
2	Re-election of Mr. Hong Pian Tee as a Director		
3	Re-election of Ms. Ong Bee Pheng as a Director		
4	Approval of Directors' fees amounting to S$240,000 for the year ending 31 December 2018, 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		
8	Proposed Adoption of the Share Buyback Mandate		

(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 ________________ 2018

____
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 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 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 2018.

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.

ASIAPHOS LIMITED

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