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- (A) **EMPHASIS OF MATTER BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**
- (B) **RESTATEMENT OF BALANCE SHEET AS AT 31 DECEMBER 2015 DUE TO FINALISATION OF VALUATION OF NET IDENTIFIABLE ASSETS ACQUIRED IN THE ACQUISITION OF THE LY RESOURCES GROUP**
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- (A) **EMPHASIS OF MATTER BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist, the board of directors (the “**Board**”) of AsiaPhos Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the **Company’s** independent auditor, Messrs Ernst & Young LLP (the “**Independent Auditor**”), has given an unqualified audit opinion but included an emphasis of matter to draw attention to the material uncertainty related to going concern in its independent auditor’s report dated 31 March 2017 (“**Independent Auditor’s Report**”) for the financial statements of the Group (“**Financial Statements**”) for the financial year ended 31 December 2016 (“**FY2016**”).

A copy of the Independent Auditor’s Report and an extract of Note 2 to the Financial Statements which sets out, *inter alia*, the bases for the Board’s opinion that the Group will be able to continue as a going concern, are annexed to this announcement for shareholders’ reference.

The Independent Auditor’s Report and a complete set of the Financial Statements will also be found in the Company’s annual report for FY2016, which will be despatched to shareholders in due course.

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

- a) based on the current cash flow projections, the Group expects to generate net cash inflows from its operating activities in the next 12 months from the date of the financial statements; and
- b) discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due and to also extend new facilities to the Group. The Group had recently renewed facilities of \$2,084,000 (RMB10 million) in January 2017. As at the date of this report, the Group has aggregate facilities of \$5,002,000 (RMB24 million) which are due in June 2017 and July 2017. As the Group has in the past not defaulted on any of the loans extended to it, and barring unforeseen circumstances, the Directors expect that the Group will be able to obtain the requisite financing for the Group’s operations.
- c) As disclosed in Note 42 “Events occurring after the reporting period” to the financial statements, the Group completed its Rights cum Warrants Issue exercise. After completing the redemption of Redeemable Preference Shares (Note 25) and repayment of loan due to a director (Note 26), the Company received net proceeds of \$1,987,000 in March 2017.



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

The Board is of the opinion that all material disclosures have been provided by the Company for trading of the Company's shares to continue in an orderly manner.

(B) RESTATEMENT OF BALANCE SHEET AS AT 31 DECEMBER 2015 DUE TO FINALISATION OF VALUATION OF NET IDENTIFIABLE ASSETS ACQUIRED IN THE ACQUISITION OF THE LYR GROUP

The Board refers to the Company's annual report ("2015 AR") for the financial year ended 31 December 2015 ("FY2015") and its announcement dated 20 February 2017 (the "Results Announcement") in relation to its full year results for FY2016 and wishes to announce that adjustments have been made to the audited balance sheet of the Group as at 31 December 2015 to recognise for the finalised valuation of the net identifiable assets and liabilities acquired in the acquisition of LY Resources Pte. Ltd. and its subsidiaries ("LYR Group") and the corresponding adjustments to goodwill and non-controlling interest (the "Adjustments").

The values of the net identifiable assets and liabilities acquired from the LYR Group as disclosed in the 2015 AR and the Results Announcement were provisional whilst the Group sought an independent valuation for such assets and liabilities acquired. The results of the independent valuation were received in FY2016. Under FRS 103 *Business Combinations*, the Group has up to one (1) year from the date of acquisition to adjust the provisional amounts recognised for the acquisition of the LYR Group and the Adjustments were made retrospectively in accordance with the requirements of FRS 103.

The effects of the Adjustments are as follows:

	As at 31 December 2015		
	Previously stated in the 2015 AR and the Results Announcement (S\$'000)	Adjustment (S\$'000)	Restated Amount (S\$'000)
Non-current assets			
Mine properties	72,329	(6,447)	65,882
Property, plant and equipment	39,856	42	39,898
Goodwill	8,271	3,978	12,249
Non-current liabilities			
Deferred tax liabilities	(19,506)	1,601	17,905
Equity attributable to owners of the Company			
Non-controlling interest	(10,289)	826	(9,463)

Save as disclosed above, there are no changes to the Group's consolidated statement of comprehensive income, balance sheet, consolidated statement of cash flows and statement of changes in equity for FY2015 and FY2016 as set out in the Results Announcement.



BY ORDER OF THE BOARD

Simon Ong Eng Hock
Executive Director
AsiaPhos Limited
31 March 2017

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

The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lim Hoon Khat, Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.



**Independent Auditor's Report
For the financial year ended 31 December 2016**

Independent Auditor's Report to the Members of AsiaPhos Limited

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Material Uncertainty Related to Going Concern

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

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

Our opinion is not modified in respect of this matter.

**Independent Auditor's Report
For the financial year ended 31 December 2016**

Independent Auditor's Report to the Members of AsiaPhos Limited

Key audit matters

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

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

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

**Independent Auditor's Report
For the financial year ended 31 December 2016**

Independent Auditor's Report to the Members of AsiaPhos Limited

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

Other information

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

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

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

**Independent Auditor's Report
For the financial year ended 31 December 2016**

Independent Auditor's Report to the Members of AsiaPhos Limited

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 FRSSs, 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.

**Independent Auditor's Report
For the financial year ended 31 December 2016**

Independent Auditor's Report to the Members of AsiaPhos Limited

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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.

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2017

2. Going concern

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

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

- (a) based on the current cash flow projections, the Group expects to generate net cash inflows from its operating activities in the next 12 months from the date of the financial statements; and
- (b) discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due and to also extend new facilities to the Group. The Group had recently renewed facilities of \$2,084,000 (RMB10 million) in January 2017. As at the date of this report, the Group has aggregate facilities of \$5,002,000 (RMB24 million) which are due in June 2017 and July 2017. As the Group has in the past not defaulted on any of the loans extended to it, and barring unforeseen circumstances, the Directors expect that the Group will be able to obtain the requisite financing for the Group's operations.
- (c) As disclosed in Note 42 "Events occurring after the reporting period" to the financial statements, the Group completed its Rights cum Warrants Issue exercise. After completing the redemption of Redeemable Preference Shares (Note 25) and repayment of loan due to a director (Note 26), the Company received net proceeds of \$1,987,000 in March 2017.

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

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