ASIAPHOS

# PHOSPHATE ABSOLUTELY ESSENTIAL TO LIFE

ANNUAL REPORT **2015**

# VISION & MISSION

TO BE A WORLD-CLASS PHOSPHATE MANUFACTURER

FOCUS ON QUALITY, SUSTAINABILITY AND ENVIRONMENTAL MANAGEMENT

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

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

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

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# ABOUT **ASIAPHOS**

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

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

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

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

# THE ASIAPHOS STORY Where It All Started

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

## 1996 TO 1997

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

Obtained ISO 9001.

## 1998 TO 1999

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

## 2001 TO 2002

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

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

Mining commenced at the Cheng Qiang Yan mine.

## 2003 TO 2008

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

Mining commenced at the Shi Sun Xi mine.

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

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

## 2009 TO 2011

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

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

## 2012

Incorporated AsiaPhos.

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

## 2013

Commenced trial production of $P_4$.

On 7 October 2013, successfully listed on the Catalist Board of the SGX-ST.

## 2014

Achieved mining output of 226,000 tonnes.

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

## 2015

Completed the acquisition of LY Resources.

Obtained a reduction in mining surcharge, from RMB30 per tonne to RMB8 per tonne.

Achieved mining output of 274,100 tonnes

Obtained renewal of exploration right for Shi Sun Xi mine.

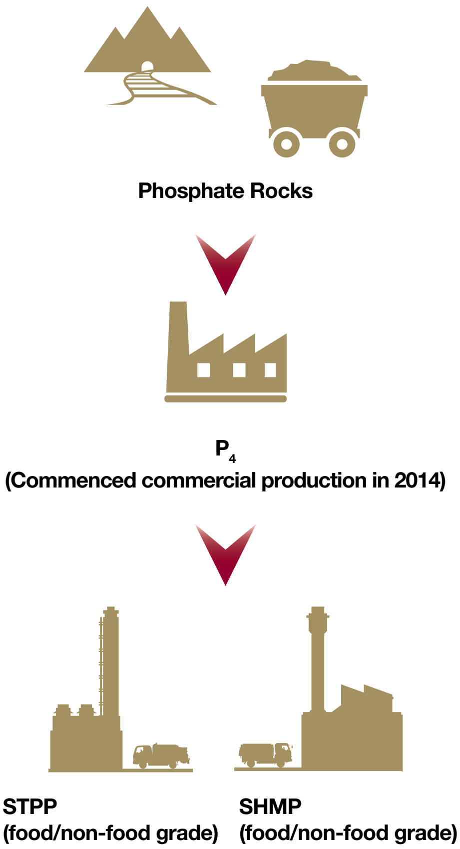
Obtained land use rights for Phase 2 land to rebuild and expand downstream processing facilities.

# OUR BUSINESS MODEL

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

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

## PRODUCTION MODEL FLOW CHART




Completed relocation from old factory site and commenced commercial production in 2013

# MESSAGE TO **SHAREHOLDERS**

Dear Shareholders,

## REWARDING OUR SHAREHOLDERS

Since our listing in 2013, we have invested in both our upstream and downstream operations to increase output, as well as made a strategic acquisition to improve our cash flow and build the foundation for the Group's future growth.

These strategic investments are beginning to bear fruit and we are seeing improving financial performance and stronger operating cash flows. As such, for the financial year ended 31 December 2015 ("**FY2015**"), we are pleased to recommend a first and final dividend of 0.1 Singapore cent per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting. This is the first time we are paying a dividend since our listing, and we would like to thank our shareholders for your patience and unwavering support.

## PERFORMANCE REVIEW

In FY2015, both the upstream and downstream operations achieved topline and profit growth.

Revenue for the year rose 87% to S$44.5 million, from S$23.8 million for the financial year ended 31 December 2014 ("**FY2014**"), driven by strong contributions from both the upstream and downstream business segments.

During the year, we were able to increase mining output of phosphate rocks by 21% to 274,100 tonnes, from the 226,000 tonnes mined in FY2014. The increased production and sales of rocks helped raise revenue for the upstream business to almost S$18 million, which was more than 40% higher year-on-year.

Similarly, revenue from the downstream division more than doubled to S$26.5 million from S$11.1 million previously, on the back of increased production and sale of $P_4$ and its by-products. We successfully ramped up the production of $P_4$ during the year which resulted in sales volume increasing by almost three-fold to 10,120 tonnes in FY2015 compared to FY2014. Since the initial technical issues we encountered in FY2014, we have successfully improved the production process which has brought production costs down.

On the back of higher revenue and efficient cost management and excluding the non-recurring other income, we are very pleased that the Group's operations turned in a profit before tax of S$0.6 million in FY2015, compared to a loss before tax of S$0.7 million in FY2014. We are hopeful that this is the beginning of a turnaround in our operations as we continue to increase our output level for the financial year ending 31 December 2016 ("**FY2016**").

On FY2015's Strong Results
**"We have made significant strides as we recorded remarkable results driven primarily by higher output and revenue."**

The Group closed the year with a net profit of S$2.2 million. This was partly boosted by non-recurring income of S$4.9 million resulting mainly from a fair value gain arising from the reassessed purchase consideration of LY Resources Pte Ltd ("**LYR**"), which was offset by a non-recurring accounting charge for termination of pre-existing contract of S$2.4 million.

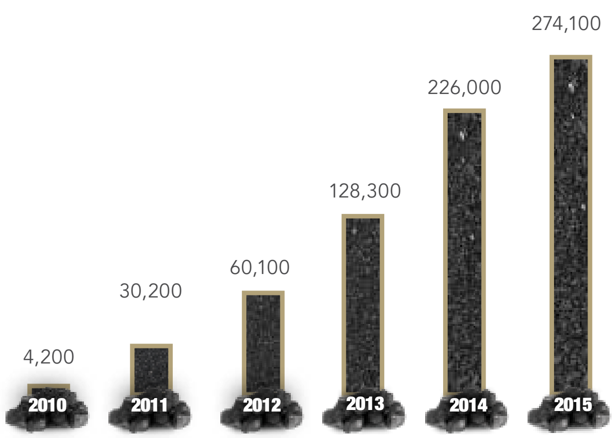
## CORPORATE UPDATES AND OUTLOOK

### Upstream

In July 2015, we were very pleased to have completed the acquisition of the entire issued and paid-up share capital of LYR. With this acquisition, we now have the full economic benefits of an existing co-operation arrangement which we had with our co-operation partner, Mianzhu Dashan Mining Co., Ltd ("**Dashan**") pertaining to three adits. This has already had an immediate impact on our operating cash flows in the second half of FY2015 as we no longer need to pay Dashan their share of profits which we recognised as production costs. We generated a net cash flow from operating activities of S$9.5 million in FY2015. Comparatively, it was a net cash outflow of S$2.6 million in FY2014.

More importantly, this acquisition has given us access to the Feng Tai Licence, which is an exploration licence for an area of 17.91 $km^2$, adjacent to our existing two mines, and almost five times the size of our two existing mines combined. Given the proximity of this exploration area to our existing mines, we believe that we will be able to benefit from increasing our resource base and the associated synergies from the operation of the

CHART 1: MINE OUTPUT (TONNES)



three mines. We are currently awaiting the renewal of the exploration right for the Feng Tai Licence which expired in December 2015. This renewal application is procedural in nature and we should not have any problems renewing the licence.

We have also successfully applied for and received renewal of our mining right for Mine 1, and have also applied to convert our Mine 1 exploration rights to mining rights. Our intention is to increase the approved annual production scale for Mine 1 from the current 50,000 tonnes to potentially 400,000 tonnes.

For Mine 2, we have also received renewal of our exploration right for about 1.28 $km^2$ which is valid till June 2016. We continue to hold the mining licence for Mine 2 for an area of 2.0237 $km^2$.

The prices of phosphate rocks have remained stable over the last two years (see chart 2) because of the necessity of phosphate in food production and other uses. We expect phosphate rock prices to remain stable in FY2016, and with our increasing rock production, to positively impact the Group's cash flows and profits.

### Downstream

Earlier in FY2015, we gained approval from the Mianzhu Land Bureau for the rights to use the Phase 2 land for the Rebuilding Programme.

Even as the price outlook for $P_4$ remains challenging, we are continuing to improve on the production efficiency to increase cost effectiveness.

To broaden our sales network, we are also developing the export market for other downstream phosphate chemical products.

## PHOSPHATE – ABSOLUTELY ESSENTIAL TO LIFE

Like economic cycles, commodities are also cyclical in nature, being tied to general economic conditions. With the slowing global economy, and particularly the Chinese economy, demand for phosphate rocks and its related chemicals could face some short term volatility in 2016. However, we are not too concerned about the short-term movements of phosphate prices because we are confident of its long term upside. As we have often explained, and continue to emphasise, phosphate is absolutely essential to sustain life. The bulk of the world's phosphate is used as fertilisers for growing food supplies to feed the rising global population. The depleting global supply of this non-renewable and irreplaceable mineral underpins the value of our phosphate mines, and the market potential for phosphate.

## IN APPRECIATION

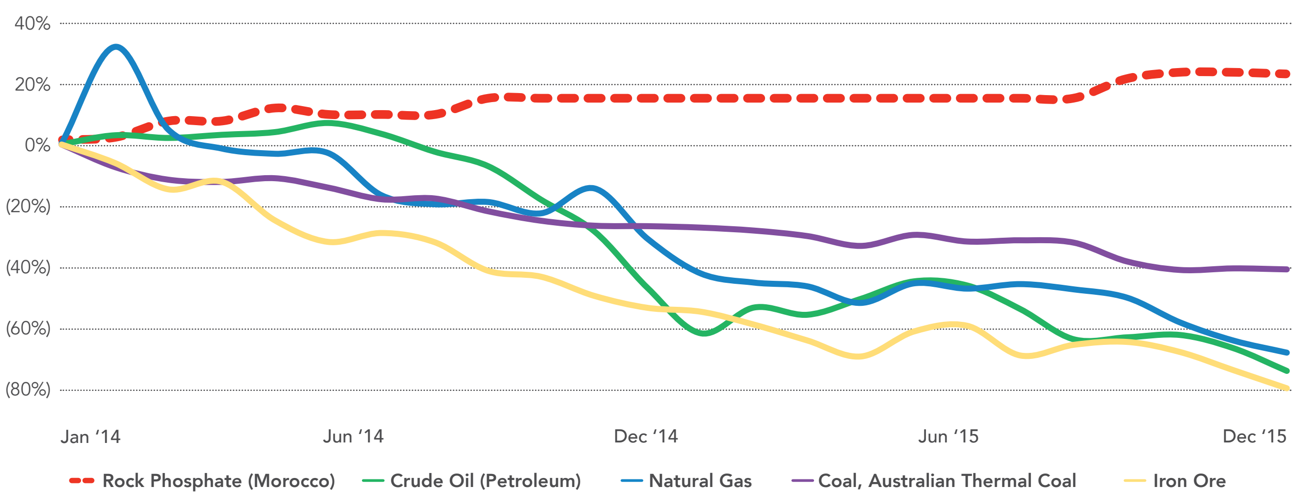
We would like to express our deepest gratitude to our fellow Board members, customers and suppliers for your contribution and partnership. To our management and staff, thank you for your dedication and hard work. Without you, we would not have made such progress during the year.

We will continue to do our best to deliver the best results and returns for all our stakeholders.

**Hong Pian Tee**
Non-Executive Chairman

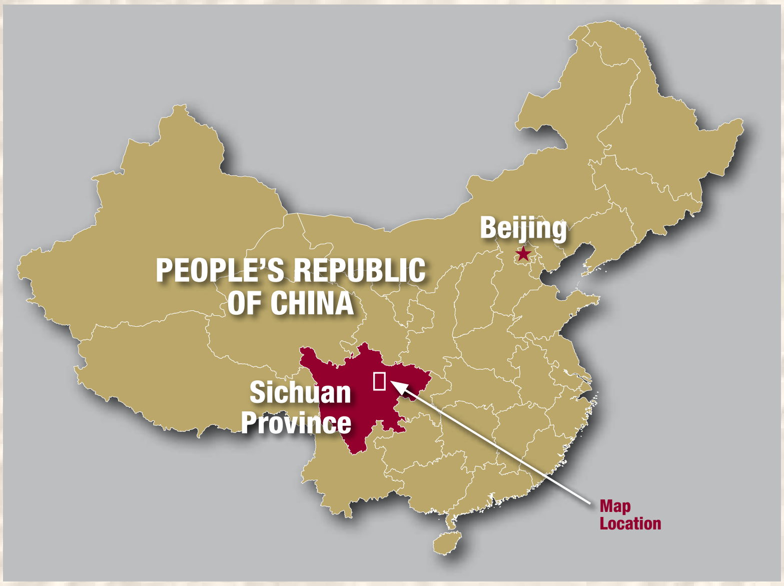
**Dr Ong Hian Eng**
CEO and Executive Director

### CHART 2: RELATIVE PRICE PERFORMANCE OF PHOSPHATE VS OTHER COMMODITIES (JAN 14-DEC 15)

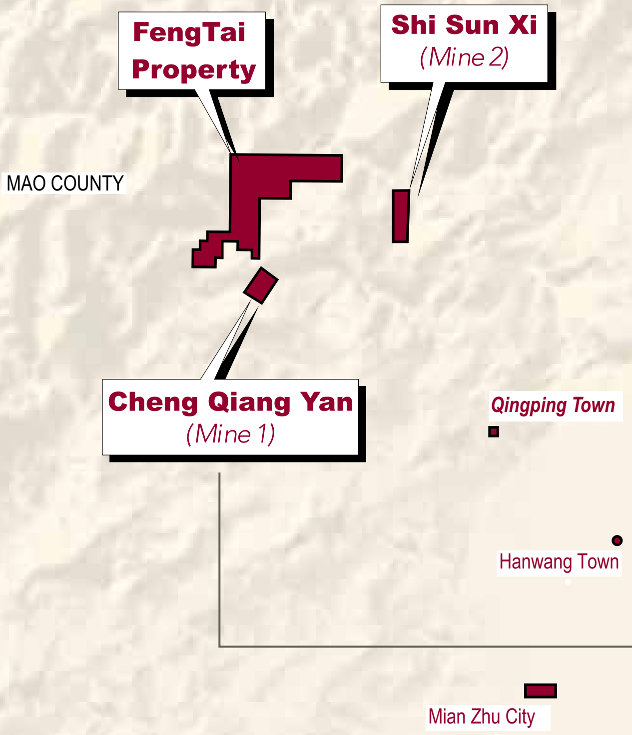



Source: IndexMundi and Bloomberg (Data extracted: 12 February 2016)

# MAP OF **MINES**




| FengTai Mine | |
|---|---|
| Exploration Permit Area | 17.91 km$^2$ |
| Exploration Licence Period | Renewal application submitted & in-process |




| Shi Sun Xi Mine | |
|---|---|
| Mining Permit Area | 2.0237 km$^2$ |
| Mining Licence Period | March 2011 to January 2020 |
| Exploration Permit Area | 1.28 km$^2$ |
| Exploration Licence Period | June 2014 to June 2016 |
| Approved Production Scale | 200,000 tonnes per annum |

| Cheng Qiang Yan Mine | |
|---|---|
| Mining Permit Area | 1.6491 km$^2$ |
| Mining Licence Period | December 2015 to December 2016 |
| Exploration Permit Area | 1.54 km$^2$ |
| Exploration Licence Period | April 2014 to April 2016; Application to convert to mining rights submitted & in-process |
| Approved Production Scale | 50,000 tonnes per annum[1] |

[1] Cheng Qiang Yan: The Group intends to increase its approved production scale from 50,000 tonnes to meet the authority's requirement of a minimum 150,000 tonnes per year (and potentially up to 400,000 tonnes per year ) by December 2016.

# FINANCIAL **REVIEW**

## OVERVIEW

In FY2015, our total revenue almost doubled to S$44.5 million from S$23.8 million in FY2014, with downstream revenue contribution at 60% and upstream revenue at 40%. The stabilisation of $P_4$ production brought about higher downstream revenue while lower $P_4$ production costs raised downstream gross profit and profit margin. The Group had other income of S$6.4 million, compared to S$21.8 million in FY2014. Hence, net profit was S$2.2 million, compared to S$19.5 million in FY2014. Excluding these non-recurring other income, the Group's operations recorded a profit before tax of S$0.6 million in FY2015 compared to a loss before tax of S$0.7 million in FY2014.

## INCOME STATEMENT

**Upstream Revenue**
- Increased to S$18.0 million in FY2015 from S$12.7 million in FY2014 due to increased output and sales of phosphate rocks.

**Downstream Revenue**
- Increased to S$26.5 million in FY2015 from S$11.1 million in FY2014, driven by the increased sales of $P_4$ which dominated downstream revenue.

**Upstream Gross Profit**
- Increased to S$5.9 million in FY2015 from S$3.9 million in FY2014, due to a reduction in mining surcharge and the termination of a profit sharing arrangement following the LYR acquisition.

**Downstream Gross Profit**
- Increased to S$2.6 million in FY2015 from S$0.8 million in FY2014 due to the increased production and sales of $P_4$, coupled with lower production costs.

**Other Income**
- Decreased to S$6.4 million in FY2015 from S$21.8 million in FY2014 due to a decrease in interest income from LYR convertible loan notes and a reassessment[1] of the purchase consideration of LYR leading to lower fair value gains.

**Other Expenses**
- A non-recurring accounting charge of S$2.4 million in FY2015 was incurred in FY2015 for termination of pre-existing contract.

**Taxation**
- Incurred a taxation charge of S$0.8 million in FY2015 compared to a taxation credit of S$14,000 in FY2014, due to higher profits.

| | FY2015 S$'000 | FY2014 S$'000 | Change % |
|---|---|---|---|
| Revenue | 44,505 | 23,822 | 87 |
| Cost of sales | (36,018) | (19,138) | 88 |
| Gross profit | 8,487 | 4,684 | 81 |
| Other income | 6,378 | 21,781 | (71) |
| Selling and distribution costs | (496) | (624) | (21) |
| General and administrative costs | (7,684) | (5,348) | 44 |
| Finance costs | (1,229) | (917) | 34 |
| Other expenses | (2,429) | (92) | 2540 |
| Profit before tax | 3,027 | 19,484 | (84) |
| Taxation | (818) | 14 | N.M. |
| Net profit after tax | 2,209 | 19,498 | (89) |

*"N.M" denotes not meaningful*

[1] *In order to comply with FRS 103 Business Combinations, upon completion of the LYR acquisition, AsiaPhos had to recognise a non-recurring charge for writing off consideration paid for the profit-sharing arrangement.*

# FINANCIAL REVIEW

## BALANCE SHEET

Non-current assets rose from S$81.1 million to S$126.2 million as at 31 December 2015 mainly due to:
- S$71.9 million increase in mining properties due to the consolidation of LYR.
- S$3.1 million increase in land use rights.
- S$3.7 million increase in property, plant and equipment from additions, translation differences and the LYR consolidation.
- S$8.3 million of goodwill from the excess of purchase consideration over the fair value of LYR's assets.

Current assets dipped from S$18.8 million to S$13.0 million as at 31 December 2015 , mainly due to:
- S$6.1 million decrease in stocks.
- S$1.9 million decrease in other receivables mainly due to the reduction in cash and deferred interest receivables from convertible loan notes.
- Partially offset by an increase in trade receivables of S$1.9 million, with cash-redeemable promissory notes forming two-thirds of trade receivables.

Current liabilities increased from S$15.8 million to S$20.6 million as at 31 December 2015 mainly due to:
- S$8.1 million of redeemable preference shares reclassified as current liabilities due to their required redemption by January in 2016.
- S$0.5 million increase in other payables.
- Partially offset by a S$3.7 million reduction in bank loans and bank overdrafts as they were fully repaid.

Non-current liabilities increased from S$12.2 million to S$22.1 million as at 31 December 2015 mainly due to:
- S$18.3 million increase in deferred tax liabilities due to the LYR consolidation.
- Partially offset by a S$8.3 million reduction in other payables and redeemable preference shares reclassified as current liabilities.

Total equity rose by 34% to S$96.5 million as the significant increase in assets following the completion of the LYR acquisition offsets the increase in liabilities.

| | As at 31 Dec 2015 S$'000 | As at 31 Dec 2014 S$'000 | Change % |
|---|---|---|---|
| Non-current assets | 126,242 | 81,145 | 56 |
| Current assets | 12,995 | 18,803 | (31) |
| Total assets | 139,237 | 99,948 | 39 |
| Current liabilities | 20,600 | 15,779 | 31 |
| Non-current liabilities | 22,090 | 12,177 | 81 |
| Total liabilities | 42,690 | 27,956 | 53 |
| Net assets | 96,547 | 71,992 | 34 |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 68,151 | 56,541 | 21 |
| Reserves | 18,107 | 15,451 | 17 |
| Non-controlling interest | 10,289 | - | N.M. |
| Total equity | 96,547 | 71,992 | 34 |

*"N.M" denotes not meaningful*

## KEY RATIOS

### CURRENT RATIO

**0.63**

(current assets/current liabilities)

### CASH RATIO

**0.21**

(cash and bank balances/current liabilities)

FINANCIAL REVIEW

## CASH FLOW

Includes operating profit before tax of S$3.0 million, decrease in stocks of S$6.3 million, increase in receivables of S$1.9 million, increase in payables of S$0.5 million and increase in interest received of S$1.9 million.

Payments for property, plant and equipment drove the use of cash.

Repayment of bank loans drove the outflow of cash

| | FY2015 S$'000 |
|---|---|
| Net cash flows generated from operating activities | 9,543 |
| Net cash flows used in investing activities | (5,911) |
| Net cash flows used in financing activities | (3,766) |
| Cash and cash equivalents at beginning of the year | 3,211 |
| Net decrease in cash and cash equivalents | (134) |
| Exchange rate differences | 21 |
| Cash and cash equivalents at end of the year | 3,098 |

## FINANCIAL HIGHLIGHTS

| | FY2015 | FY2014 | FY2013 | FY2012 | FY2011 |
|---|---|---|---|---|---|
| Group Income Statements (S$m) | | | | | |
| Revenue | 44.5 | 23.8 | 8.5 | 4.9 | 4.5 |
| EBITDA[1] | 5.3 | 1.8 | 0.9 | 0.3 | 1.4 |
| Profit/(loss) before tax | 3.0 | 19.5 | (2.2)[2] | 1.5[2] | 2.9 |
| Profit/(loss) after tax | 2.2 | 19.5 | (3.7)[2] | 1.2[2] | 2.9 |
| Group Balance Sheet (S$m) | | | | | |
| Total assets | 139.2 | 99.9 | 73.7 | 43.6 | 30.4 |
| Total liabilities | 42.7 | 28.0 | 22.5 | 15.0 | 13.6 |
| Equity attributable to owners of the Company | 86.3 | 72.0 | 51.2 | 28.6 | 16.8 |

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

## USE OF IPO PROCEEDS

| Use of Proceeds | Amount allocated (as stated in Offer Document) (S$'000) | Amount utilised as at date of this report (S$'000) | Balance of net proceeds as at the date of this report (S$'000) |
|---|---|---|---|
| Development and expansion of the Mining Operations | 8,500 | (2,969) | 5,531 |
| Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme | 11,499 | (8,332) | 3,167 |
| Working Capital | 1,553 | (10,010) | (8,457) |
| Net Proceeds | 21,552 | (21,311) | 241 |

# USES OF PHOSPHATE

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

Phosphorus, phosphates and phosphate-based chemical products are used in, or in the manufacturing processes for, many everyday products, including:

**FOOD AND BEVERAGE PRODUCTS**

**PAINT**

**LCD PANELS & PLASMA SCREENS**

**FERTILISERS**

**FIRE RETARDANTS**

**ORAL HYGIENE PRODUCTS**

**ANIMAL FEED**

**SEMI-CONDUCTORS**

# USES OF PHOSPHATE

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

# BOARD OF DIRECTORS

### HONG PIAN TEE

Non-Executive Chairman and Independent Director

Mr Hong Pian Tee was appointed a Director and the Chairman of the Board of Directors on 22 August 2013. He was last re-elected on 29 April 2015. He is also a member of the Audit Committee and Remuneration Committee of the Company.

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

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

### DR. ONG HIAN ENG

CEO and Executive Director, Non-Independent

Dr. Ong Hian Eng has been an Executive Director and the CEO of our Company since 3 January 2012. His responsibilities include overseeing the overall development of 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 30 April 2014. His responsibilities include overseeing the human resource and general administrative functions of our Group. He has been serving as a Director of Mianzhu Norwest since January 2010.

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

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

### FRANCIS LEE FOOK WAH

Independent Director, Chairman of Audit Committee

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

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

He is Chief Financial Officer of OKH Global Ltd, a company listed on the Mainboard of the SGX-ST. He is a director of his own investment firm, Wise Alliance Investments Ltd. and an Independent Director of Sheng Siong Group Ltd., Net Pacific Financial Holdings Limited, Metech International Limited, all of which are companies listed on the Mainboard and Catalist board of the SGX-ST. He was also an Independent Director of JES International Holdings Limited, a company listed on the Mainboard of the SGX-ST.

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

### GOH YEOW TIN

Independent Director, Chairman of Remuneration Committee and Nominating Committee

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

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

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

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

### ONG ENG SIEW RAYMOND

Non-Executive Director, Non-Independent

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

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

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

### ONG BEE PHENG

Non-Executive Director, Non-Independent

Ms Ong Bee Pheng was appointed a Director on 1 October 2012. She was last reappointed 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. Ltd., Barclays Bank PLC, Falcon Private Bank Ltd., and Chinatrust Commercial Bank Co., Ltd.. She is currently a compliance officer in the Singapore office of Barclays Bank PLC.

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

# SENIOR **MANAGEMENT**

### WANG XUEBO

General Manager of Mianzhu Norwest

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

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

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

### JAIME CHIEW

Chief Risk Officer

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

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

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

### RACHEL GOH

Group Financial Controller

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

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

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

### LUO GUANGMING

Mining Manager of Mianzhu Norwest

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

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

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

## CHIA CHIN HAU

**Manager (Special Projects)**

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

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

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

## ADRIAN YEAM

**Finance Manager of Mianzhu Norwest**

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

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

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

## ZHANG YUANTING

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

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

## WU LIPING

**Deputy General Manager**

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

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

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

# SUMMARY OF **MINERAL RESERVES AND RESOURCES**

As at 31 December 2015

The following table summarises the Mineral Reserves and Resources of the Group, based on Mianzhu Norwest's mining permits, as at 31 December 2015. 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 9 March 2016 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 (%) | |
| Reserves | | | | | | | |
| Proved | Phosphorite | 1.1 | 27.96 | 1.1 | 27.96 | N.A. | Initial Reserve |
| Probable | Phosphorite | 0.5 | 29.11 | 0.5 | 29.11 | N.A. | Initial Reserve |
| **Total** | | **1.5** | **28.31** | **1.5** | **28.31** | **N.A.** | Initial Reserve |
| **Resources** | | | | | | | |
| Measured | Phosphorite | 16.3 | 27.50 | 16.3 | 27.50 | -9% | |
| Indicated | Phosphorite | 11.4 | 29.43 | 11.4 | 29.43 | -4% | |
| **Total** | | **27.7** | **28.30** | **27.7** | **28.30** | **-7%** | |
| Inferred | Phosphorite | 17.9 | 29.77 | 17.9 | 29.77 | 0% | |

Notes: Mineral Resources and Reserves effective December 31, 2015.

1. WGM Senior Associate Industrial Mineral Specialist, Donald Hains, P.Eng. is the Qualified Person for this Mineral Resource/ Reserve estimate.
2. Mineral Resources are estimated at a cutoff value of 8% $P_2O_5$ (based on a price of US\$60/t $P_2O_5$), and a minimum phosphorite bed thickness of 0.25 m.
3. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
4. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
5. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council May 10, 2014.
6. S.G. of 3.08 tonnes/$m^3$ and 3.03 tonnes/$m^3$ used for Cheng Qiang Yan and Shi Sun Xi respectively.
7. Indicated amounts may not precisely sum due to rounding.
8. Inferred Resource cannot be included in total Resource calculation under NI 43-101 Standard.
9. Previous Mineral Resource estimate update was prepared 21 November 2014.
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.
12. "N.A." = Not applicable.

On 16 March 2016, the Company received 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 RESPONSIBILTY**

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

## ENVIRONMENTAL AND SAFETY

The Group is committed to protecting the natural environment of the vicinity where we conduct our mining activities.

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

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

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

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

In accordance with the local PRC regulations, we have completed the construction of ‘six safety’ monitoring systems within the adits, “井下安全避险六大系统”, for our mines. These include improved communication channels within adits, position monitoring for each miner within adits, particles/smoke monitoring system, water supply within adits, a secured shelter for miners, in the event of emergency, within the vicinity of the adits and compressed air self-rescue devices. In FY2015, we achieved Level 2 of the safety requirements, with Level 5 being the highest level of requirements. Level 2 of the safety requirements allows the Group to obtain mining safety permit from the local authority. Going forward as our mining output increases, we will continue to invest and improve on the safety features and infrastructure of our mines.

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

# CORPORATE **SOCIAL RESPONSIBILTY**

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, and monitoring every aspect of, the entire production process. Fire drills are an important part of our fire safety procedures. During FY2015, we conducted fire drills monthly for our $P_4$ production line to test the effectiveness of the fire evacuation plan and to familarise the staff with the necessary response measures. In addition, in FY2015, we conducted an emergency evacuation drill for the entire factory. In the event of an accident or natural disaster, we are able to activate emergency response measures and limit the potential damage.

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

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

## EMPLOYEES

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

As at 31 December 2015, the Group employed a total of 195 employees. The Group has standardised its form of employment, so as to ensure the basic rights and interest of employees are protected and to maintain good labour relations. We purchased all necessary insurance for the employees in accordance with the relevant labour laws. We ensure that our miners and our outsourced miners pass the relevant health check-ups and 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 the government policies, paying taxes in due course, and helping improve local employment, making significant contribution to the local fiscal revenue.

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

# CORPORATE **GOVERNANCE REPORT**

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 2015 ("**FY2015**"), 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 the 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:-

- To oversee 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;
- To review the operational and financial performance of the Group, including reviewing the performance of the Management;
- To approve quarterly financial results announcements, circulars and audited financial statements and annual report of the Company;
- To oversee and safeguard the shareholders' interest and Group's assets through a robust system of effective internal controls, risk management, financial reporting and compliance;
- To oversee and enhance corporate governance and practices within the Group;
- To deal 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;
- To approve changes in the composition of the Board;
- To identify key stakeholders groups and recognising that their perceptions affect the Company's reputation; and
- To appoint the senior management, approve the policies and guidelines for the Board and senior management executives' remuneration, in addition to approving the appointment of new Directors.

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

The Board conducts scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The 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. The Directors are free to discuss any information or views presented by any member of the Board and Management. Currently, there is no specific written policy on matters reserved for the Board as this may limit the type of matters or transactions. Significant matters or transactions are notified by Management to the Board as and when they occur.

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

# CORPORATE **GOVERNANCE REPORT**

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

The attendance record of each Director at meetings of the Board and Board Committees during FY2015 is disclosed below:

| | Number of meetings attended in FY2015 | | | |
|---|---|---|---|---|
| Name of Director | Board | AC | NC | RC |
| Hong Pian Tee | 4 | 4 | 1[(1)] | 1 |
| Dr. Ong Hian Eng | 4 | 4[(1)] | 1 | 1[(1)] |
| Ong Eng Hock Simon | 4 | 4[(1)] | 1[(1)] | 1[(1)] |
| Francis Lee Fook Wah | 4 | 4 | 1 | 1 |
| Goh Yeow Tin | 4 | 4 | 1 | 1 |
| Ong Eng Siew Raymond | 4 | 4[(1)] | 1[(1)] | 1[(1)] |
| Ong Bee Pheng | 4 | 4[(1)] | 1[(1)] | 1[(1)] |
| **Number of meetings held in FY2015** | **4** | **4** | **1** | **1** |

**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 FY2015.

The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Company encourages the Directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act (Chapter 50) of Singapore ("**Companies Act**") and industry-related matters, to develop themselves professionally, at the Company's expense.

### Board Composition and Guidance

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

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 Fook Wah and Mr Goh Yeow Tin and they make up more than one-third of the Board.

# CORPORATE **GOVERNANCE REPORT**

| Director | Age | Board Membership | Date of Appointment as Director | Date of Last Re-Election | AC | NC | RC |
|---|---|---|---|---|---|---|---|
| Hong Pian Tee[1] | 71 | Chairman, Non-Executive and Independent | 22 August 2013 | 29 April 2015 | Member | - | Member |
| Dr. Ong Hian Eng[2] [5] [6] [7] | 68 | Executive, Chief Executive Officer ("**CEO**") | 3 January 2012 | Not applicable | - | Member | - |
| Ong Eng Hock Simon[3] [5] [6] [7] | 51 | Executive | 1 October 2012 | 30 April 2014 | - | - | - |
| Ong Eng Siew Raymond [5] [6] [7] | 49 | Non-Executive and Non-Independent | 1 October 2012 | 29 April 2015 | - | - | - |
| Ong Bee Pheng [5] [6] [7] | 40 | Non-Executive and Non-Independent | 1 October 2012 | 29 April 2015 | - | - | - |
| Francis Lee Fook Wah[4] | 50 | Non-Executive and Independent | 22 August 2013 | 30 April 2014 | Chairman | Member | Member |
| Goh Yeow Tin | 65 | Non-Executive and Independent | 22 August 2013 | 30 April 2014 | Member | Chairman | Chairman |

**Notes:**

(1) Mr Hong Pian Tee is, pursant to Article 87 of the Constitution of the Company, subject to re-appointment as a Director at the forthcoming Annual General Meeting ("**AGM**") of the Company to be held on 24 April 2016.

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

(3) Mr Ong Eng Hock Simon 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 29 April 2016.

(4) Mr Francis Lee Fook Wah 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 29 April 2016.

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

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

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

Details of the Directors' qualifications and experiences are set out on pages 12 and 13 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 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 Fook Wah and Mr Goh Yeow Tin to be independent. During FY2015, none of the Independent Directors have served beyond nine (9) years from their respective date of first appointment.

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

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. The Non-Executive Directors constructively challenge and assist in the development of the business strategies, and assist the Board in reviewing and monitoring the Management's performance against set targets.

# CORPORATE **GOVERNANCE REPORT**

Where necessary or appropriate, the Independent Directors may meet separately without the presence of Management. The 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 in the Company are separate. Mr Hong Pian Tee is the Chairman of the Board and is an independent non-executive Director and Dr. Ong Hian Eng is the CEO. The Chairman and the CEO are not related.

The Chairman provides overall leadership to the Board, and with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the CEO and fellow Directors and other executives, and if warranted, with professional advisors and ensures adequate time allocated to discuss the items. The Chairman assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings and ensures effective communication with shareholders. He also encourages constructive relations within the Board and between the Board and Management. He provides clear oversight, advice and guidance to the Management on strategies and business operations.

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

**Board Membership**

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

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

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

During FY2015, 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:

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

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

# CORPORATE **GOVERNANCE REPORT**

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

- To review and approve any new employment of related persons and the proposed terms of their employment;
- To decide how the Board's performance is to be evaluated and propose objective performance criteria, which allow for comparison with industry peers, and should be approved by the Board and address how the Board has enhanced long-term shareholder value;
- To assess the effectiveness of the Board as a whole and its committees and assess the contribution by the Chairman of the Board and each individual Director to the effectiveness of the Board and to implement performance evaluation established and approved by the Board;
- To implement a process for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the chairman of the Board and each individual Director to the effectiveness of the Board;
- To assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties);
- To review and make recommendations on all nominations of Directors (including the Independent Directors) for re-appointment and re-election having regard to the Director's past contributions and performance;
- To establish the criteria and desirable attributes of new appointees to the Board and to make recommendations to the Board on all Board appointments including Committee appointments; and
- To engage external search consultants to search for new Directors, if necessary.

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

The retiring Directors submit themselves for re-nomination and re-election. Newly appointed Directors are required to submit for re-election. Accordingly, Mr Ong Eng Hock Simon and Mr Francis Lee Fook Wah are the two (2) Directors retiring *via* rotation at the forthcoming AGM of the Company. Both Directors are eligible and had consented for re-election. The NC, having considered their performance and contributions, has recommended these two (2) retiring Directors for re-election at the forthcoming AGM of the Company. Subject to being duly re-elected at the forthcoming AGM of the Company, Mr Ong Eng Hock Simon will remain as an Executive Director of the Company and Mr Francis Lee Fook Wah will remain as a Non-Executive and Independent Director, the Chairman of the AC and a member of the NC and RC.

Mr Hong Pian Tee was last re-appointed as a Director at the AGM of the Company on 29 April 2015 pursuant to Section 153(6) of the Companies Act. Therefore, the Board had recommended the re-appointment of Mr Hong Pian Tee as a Director under Article 87 of the Constitution of the Company for shareholders' approval at the forthcoming AGM of the Company. Subject to being duly re-appointed at the forthcoming AGM of the Company, Mr Hong Pian Tee will remain as the Non-Executive and Independent Chairman of the Board, and member of both the AC and the RC.

Currently, there is no formal policy with regard to diversity in identifying director nominees. In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the 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 candor), if applicable, as an Independent Director. The NC may also engage external search consultants to search for new Directors at the Company's expense. New Directors are appointed by way of a board resolution after the NC recommends the appointment for approval of the Board.

The NC also considered, and is of the opinion, that the multiple board representations held by Directors do not impede their performance in carrying out their duties to the Company. For FY2015, 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.

# CORPORATE **GOVERNANCE REPORT**

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

(a) Pages 12 to 13 – Academic and professional qualifications, date of first appointment as Director, date of last re-election as Director, directorships or chairmanships both present and those held over the preceding three (3) years in other listed companies and other major appointments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) Page 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 the Director's accessibility to Management for guidance or exchange of views outside the formal environment of the meetings. The NC and the Board strives to ensure that each Director, with his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. 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 the Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board. The Company Secretary will collate the Board's and Directors' evaluations and provide the summary observations to the Chairman of the NC and the Chairman of the Board. The NC would then discuss the evaluation and conclude the performance results during the NC meeting.

The NC had, at a meeting held in February 2016, assessed the performance of the Board, the Board Committees and individual Directors. The Board and its Committee assessments utilise a confidential questionnaire, covering areas such as Board composition, Board 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 done by peer assessments through a confidential questionnaire completed by each Director. The assessment parameters include attendance and contributions during Board and Committee meetings as well as commitment to their role as Directors.

The NC, 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 FY2015. 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 Board Committees, Directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Company and the Group.

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

# CORPORATE **GOVERNANCE REPORT**

The Directors also have separate and independent access to the Company Secretary who attends all Board and Board 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:

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

During FY2015, the RC held one (1) scheduled meeting 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:

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

No member of the RC is involved in setting his own remuneration packages. 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 matters for FY2015.

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

# CORPORATE **GOVERNANCE REPORT**

### 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.

These service agreements cover the terms of employment and specifically, the salaries and bonuses of the Executive Directors and a 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. The service agreements with the Executive Directors and key executive also contain contractual provisions to allow the Company to reclaim incentive components from them in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group.

Pursuant to the terms of the service agreement with our Executive Directors, each of the Executive Director is entitled to a monthly salary of S$11,230, an annual wage supplement of one (1) month's salary and an annual incentive bonus based on the Group's profit before tax. Pursuant to the terms of the service agreement with our key executive, Mr Wang Xuebo, he is entitled to receive (i) US$6,100 per month, to be paid by Norwest Chemicals Pte Ltd; and (ii) RMB30,230 per month, to be paid by Mianzhu Norwest. He is also entitled to an annual incentive bonus of two per cent. (2%) of the Group's profit before tax. The Group considers profits to be the main condition for the determination of payment of incentives to management as this will align performance to 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 FY2015, excluding the fair value gains of approximately S$4.9 million and one-time accounting charge of approximately S$2.4 million, the Group's profit before tax was approximately S$0.6 million.

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 FY2015, 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.*

# CORPORATE **GOVERNANCE REPORT**

The breakdown (rounded to nearest thousands of dollar) of the remuneration of the Directors for FY2015 is set out below:

| **Below S$250,000** | **Salary and allowance (S$'000)** | **Annual Wage Supplement (S$'000)** | **Directors' fees (S$'000)** | **Total (S$'000)** |
|---|---|---|---|---|
| Hong Pian Tee | - | - | 60 | 60 |
| Dr. Ong Hian Eng(1) | 137 | 36 | - | 173 |
| Ong Eng Hock Simon(1) (2) | 162 | 26 | - | 188 |
| Francis Lee Fook Wah | - | - | 60 | 60 |
| Goh Yeow Tin | - | - | 60 | 60 |
| Ong Eng Siew Raymond(1) (2) | - | - | 30 | 30 |
| Ong Bee Pheng(1) (2) | - | - | 30 | 30 |

**Notes:**

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

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

The breakdown (in percentage terms) of the remuneration of the five (5) top key executives of the Group (who are not Directors or CEO) for FY2015 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 | 87.4 | 12.6 | 100.0 |
| Luo Guangming | Mining Manager, Mianzhu Norwest | 66.5 | 33.5 | 100.0 |
| Jaime Chiew Chi Loong(1) | Chief Risk Officer, Company | 86.4 | 13.6 | 100.0 |
| Chia Chin Hau | Manager, Special Projects, Company | 86.3 | 13.7 | 100.0 |
| Rachel Goh | Group Financial Controller, Company | 84.7 | 15.3 | 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 Hian Eng. Mr Jaime Chiew Chi Loong's annual remuneration for FY2015 was between S$150,000 and S$200,000.

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

In aggregate, the total remuneration paid to the five (5) top key executives of the Group was S$704,000 in FY2015.

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

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 FY2015.

### 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 Directors' Report on pages 36 to 37 of this Annual Report.

# CORPORATE **GOVERNANCE REPORT**

To motivate the 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 FY2015.

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). During FY2015, the Management provided Non-Executive Directors quarterly reports with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates. All Directors are provided with immediate updates through emails, from time to time, by the Executive Directors for any material transactions or matters that may be brought to their attention.

The Company adopts a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management. Through the advice rendered by the professionals and the Sponsor, the Board 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 advice of the professionals to update the Board.

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

### Risk Management and Internal Controls

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

The Group's internal controls and systems are designed to provide reasonable assurance 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 and information technology controls and risk management policies and systems established by Management annually. This ensures that such system is sound and adequate and effective to provide reasonable assurance in safeguarding shareholders' interests and the Group's assets. The Group currently does not have a formal risk management committee but the Management regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC. The Board is ultimately responsible for the governance of risk and exercises oversight in risk management strategy and framework. The Risk Statement can be found on page 33 of this Annual Report.

The Group's financial risk management objectives and policies are discussed further in note 34 to the financial statements. The Board has also received assurance from the CEO and the Executive Director, overseeing the finance function, that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group's risk management and internal control systems are effective.

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Based on the review, work done by the internal auditors (see Principle 13) and the external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology risks, 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 2015.

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:

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

During FY2015, the AC held four (4) scheduled meetings, which all members attended.

The duties and functions of the AC include the following:

- To review the scope and results of the external audit, and the independence and objectivity of the external auditors annually;
- To review 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;
- To review and report 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;
- To review the adequacy and effectiveness of the Group's internal audit;
- To review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, and the Management's response;
- To meet with external and internal auditors, in each case without the presence of the Management, at least annually and review the co-operation given by the Management to external and internal auditors;
- To review and approve interested person transactions and review procedures thereof;
- To review potential conflicts of interests (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests; and
- To nominate persons as internal and external auditors (notwithstanding anything contained in the Company's Constitution or under section 205 of the Companies Act), review 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 FY2015 without the presence of Management to discuss any matters arising from the financial reporting process and systems of internal controls. The external and internal auditors were also invited to be present at all AC meetings held during the year to, *inter alia*, answer or clarify any matters on accounting and auditing or internal controls.

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During FY2015, the Group paid S$24,700 to the external auditors, Ernst & Young LLP ("**EY**"), and its member firms for their roles as tax advisors and S$25,000 for review of the purchase price allocation relating to the acquisition of new subsidiaries. The AC is of the opinion that the non-audit services provided by EY during FY2015 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 FY2015 are as follows:

| Service Category Fees | EY entities in Singapore S$'000 | Overseas EY entities S$'000 |
|---|---|---|
| Audit Services | 119.0 | 128.9 |
| Non-Audit Services | 49.7 | – |
| Total | 168.7 | 128.9 |

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 of the Company.

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

For FY2015, 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) 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 FY2015, 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 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 FY2015, 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 recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and includes the auditing of the Group's system of internal financial, operational and compliance controls over its key operations. The IA will report their audit findings and recommendations directly to the AC. The internal audit plan, findings and recommendations drawn up by the IA are reviewed and approved by the AC.

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The AC is satisfied that the IA has the relevant qualification, experience, is adequately resourced, independent, and also has 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 the adequacy and effectiveness of the internal audit function annually.

### (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 after the results announcement are published *via* SGXNET. The Company also publishes the presentation slides used during the briefings on SGXNET and on its website http://www.asiaphos.com. The Group has also engaged an external investor relations firm to assist in its investor communications and press releases.

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

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

Under the 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 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.

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. In respect of FY2015, the Board has recommended a final dividend of S$0.001 per ordinary share in the capital of the Company (one-tier tax exempt), which will be subject to shareholders' approval at the forthcoming AGM of the Company.

### (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.

# CORPORATE **GOVERNANCE REPORT**

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 TRANSACTION ("IPT")

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

On 21 June 2013, Dr. Ong Hian Eng (our CEO and Executive Director), Mr Ong Kwee Eng (an associate of Dr. Ong Hian Eng), and our key executives, Mr Wang Xuebo and Mr Chia Chin Hau, signed a deed of indemnity, under which they have jointly and severally undertaken, *inter alia*, to indemnify and hold harmless the Group against losses in connection with certain land use rights and certain licences, permits and approvals for the Group's PRC operations. No fees were paid or benefits given to the above-mentioned individuals in connection with the deed of indemnity. Please refer to the 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 details.

Other than the above interested person transaction which was deemed approved by our shareholders, there were no other IPTs in FY2015.

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

## (G) USE OF PROCEEDS

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

| Use of Proceeds | Amount allocated (as stated in Offer Document) (S$'000) | Amount utilised as at the date of this report (S$'000) | Balance of net proceeds as at the date of this report (S$'000) |
|---|---|---|---|
| Development and expansion of the Mining Operations | 8,500 | (2,969) | 5,531 |
| Financing the balance of Phase 1 and Phase 2 of the Rebuilding Programme | 11,499 | (8,332) | 3,167 |
| Working capital | 1,553 | (10,010)[1] | (8,457) |
| **Net proceeds** | **21,552** | **(21,311)** | **241** |

**Note:**

(1) Out of the S$10.0 million utilized as working capital, an amount of S$0.2 million was in relation to the listing expense incurred in addition to the estimated expenses of S$2.8 million as disclosed in the offer document.

Pending the deployment of proceeds for the allocated amount for Mining Operations and Phase 2 of the Rebuilding Programme, the Group has utilised S$9.8 million from the IPO proceeds for working capital to fund (i) the purchases of materials and supplies; (ii) the production of rocks and $P_4$; (iii) repayment of borrowings and (iv) credit extended to customers for sale of rocks and $P_4$. The Group has received the land use certificate for Phase 2 land and is relooking at the resumption of the Phase 2 Rebuilding Programme.

The Company will make periodic announcements on the use of the proceeds as and when the funds are materially disbursed.

## (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 FY2015 or if not subsisting, was entered into since 31 December 2015.

## (I) NON-SPONSOR FEES

No fees relating to non-sponsorship activities or services were paid to the Company's sponsor, United Overseas Bank Limited, during FY2015.

# RISK **STATEMENT**

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

In FY2015, the Group had engaged an external consultant to facilitate in identifying and ranking of business and process risks as well as the existing controls on the risks. The key findings from this risks and controls identification review as well as proposed steps to be taken by the management had been reported to the AC and the Board.

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

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

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

Currently, the Group has outsourced its internal audit function to a big 4 accounting firm. The 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, and includes the auditing of the Group's system of internal financial, operational and compliance controls over its key operations. The IA will report their audit findings and recommendations directly to the AC.

Additionally, in performing their audit of the financial statements, the external auditors perform tests over the 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 a more detailed discussion on the Group's financial risk management objectives and policies, please refer to note 34 to the financial statements.

Based on the review and work done by the IA and external auditors, the Board, with the concurrence of the AC, is not aware of any matter which suggests that the Group's internal controls addressing financial, operational, compliance, information technology controls, risk management systems or significant business risks are inadequate or ineffective.

# CONTENT **PAGE**

# DIRECTORS' **STATEMENT**

The directors of the Company ("**Directors**") are pleased to 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 2015.

## OPINION OF THE DIRECTORS

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the balance sheets and statements of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, 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 in office at the date of this statement are:

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

In accordance with Article 88 of the Company's Constitution, Ong Eng Hock Simon and Francis Lee Fook Wah retire, and being eligible, offer themselves for re-election.

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

| | **Direct interest** | | **Deemed interest** | |
|---|---|---|---|---|
| **Name of Director** | **At the beginning of the financial year** | **At the end of the financial year** | **At the beginning of the financial year** | **At the end of the financial year** |
| The Company<br>***AsiaPhos Limited***<br>(Ordinary shares) | | | | |
| Hong Pian Tee | 306,000 | 806,000 | – | – |
| Ong Hian Eng | 6,164,384 | 6,675,384 | 548,932,174 | 215,233,492 |
| Ong Eng Hock Simon | 2,919,306 | 2,919,306 | 538,724,137 | 245,025,455 |
| Ong Eng Siew Raymond | 2,919,306 | 2,919,306 | 539,372,868 | 246,374,186 |
| Ong Bee Pheng | 9,408,037 | 29,408,037 | – | – |

There is no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

# DIRECTORS' **STATEMENT (CONT'D)**

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

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

**ASIAPHOS PERFORMANCE SHARE PLAN (THE "SHARE PLAN")**

The Share Plan was approved at an Extraordinary General Meeting of the Company 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) 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.

# DIRECTORS' **STATEMENT (CONT'D)**

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

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

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

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

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

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

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

Since the adoption of the Share Plan and for the financial year ended 31 December 2015, 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.

# DIRECTORS' **STATEMENT (CONT'D)**

### AUDIT COMMITTEE

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

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

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

### AUDITOR

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

On behalf of the board of directors,

**Ong Hian Eng**
Director

**Ong Eng Hock Simon**
Director

28 March 2016

# INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2015

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AsiaPhos Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") set out on pages 40 to 96, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company, and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

## OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

## 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.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

28 March 2016

# CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2015

| | Note | 2015<br>S$'000 | 2014<br>S$'000 |
|---|---|---|---|
| **Revenue** | 5 | 44,505 | 23,822 |
| Cost of sales | | (36,018) | (19,138) |
| **Gross profit** | | 8,487 | 4,684 |
| Other income | 6 | 6,378 | 21,781 |
| Selling and distribution costs | | (496) | (624) |
| General and administrative costs | | (7,684) | (5,348) |
| Finance costs | | (1,229) | (917) |
| Other expenses | | (2,429) | (92) |
| **Profit before tax** | 7 | 3,027 | 19,484 |
| Taxation | 8 | (818) | 14 |
| **Profit for the year** | | 2,209 | 19,498 |
| **Other comprehensive income** | | | |
| Items that may be reclassified to profit or loss | | | |
| Foreign currency translation | | 447 | 1,326 |
| **Total comprehensive income for the year** | | 2,656 | 20,824 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 2,209 | 19,498 |
| Non-controlling interest | | – | – |
| | | 2,209 | 19,498 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | 2,656 | 20,824 |
| Non-controlling interest | | – | – |
| | | 2,656 | 20,824 |
| **Earnings per share (cents)** | | | |
| Basic and fully diluted | 31 | 0.26 | 2.44 |

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

# BALANCE SHEETS

As at 31 December 2015

| | Note | Group 2015 S$'000 | Group 2014 S$'000 | Company 2015 S$'000 | Company 2014 S$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Mine properties | 9 | 72,329 | 436 | – | – |
| Land use rights | 10 | 4,845 | 1,751 | – | – |
| Property, plant and equipment | 11 | 39,856 | 36,183 | – | – |
| Convertible loan note | 12 | – | 23,077 | – | – |
| Derivative asset | 12 | – | 13,326 | – | 13,326 |
| Prepayments | 13 | 587 | 5,744 | – | – |
| Other receivables | 14 | 297 | 515 | – | – |
| Intangible asset | 15 | 57 | 113 | – | – |
| Provisional goodwill | 16 | 8,271 | – | – | – |
| Investment in subsidiaries | 17 | – | – | 59,022 | 33,545 |
| | | 126,242 | 81,145 | 59,022 | 46,871 |
| **Current assets** | | | | | |
| Stocks | 18 | 2,728 | 8,842 | – | – |
| Trade receivables | 19 | 4,422 | 2,498 | – | – |
| Prepayments | 13 | 1,063 | 747 | 143 | 136 |
| Other receivables | 14 | 481 | 1,878 | 40 | 58 |
| Amounts due from subsidiaries | 20 | – | – | 17,183 | 16,452 |
| Cash and bank balances | 21 | 4,301 | 4,838 | 1,018 | 2,121 |
| | | 12,995 | 18,803 | 18,384 | 18,767 |
| **Total assets** | | 139,237 | 99,948 | 77,406 | 65,638 |
| **Current liabilities** | | | | | |
| Bank overdraft (secured) | 21 | 16 | 447 | 16 | 447 |
| Trade payables | 22 | 4,377 | 4,403 | – | – |
| Other payables | 23 | 6,848 | 6,321 | 377 | 170 |
| Advances from customers | | 247 | 340 | – | – |
| Interest-bearing bank loan | 24 | – | 3,664 | – | – |
| Redeemable preference shares | 25 | 8,050 | – | – | – |
| Provision for taxation | | 1,062 | 604 | – | – |
| | | 20,600 | 15,779 | 393 | 617 |
| **Net current (liabilities)/assets** | | (7,605) | 3,024 | 17,991 | 18,150 |
| **Non-current liabilities** | | | | | |
| Redeemable preference shares | 25 | – | 8,200 | – | – |
| Other payables | 23 | – | 117 | – | – |
| Deferred tax liabilities | 26 | 19,506 | 1,247 | – | – |
| Deferred income | 27 | 2,407 | 2,438 | – | – |
| Provision for rehabilitation | 28 | 177 | 175 | – | – |
| | | 22,090 | 12,177 | – | – |
| **Total liabilities** | | 42,690 | 27,956 | 393 | 617 |
| **Net assets** | | 96,547 | 71,992 | 77,013 | 65,021 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 29 | 68,151 | 56,541 | 68,151 | 56,541 |
| Reserves | 30 | 18,107 | 15,451 | 8,862 | 8,480 |
| | | 86,258 | 71,992 | 77,013 | 65,021 |
| Non-controlling interest | | 10,289 | – | – | – |
| **Total equity** | | 96,547 | 71,992 | 77,013 | 65,021 |

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

# STATEMENT **OF CHANGES IN EQUITY**

For the financial year ended 31 December 2015

| Group | Share capital S$'000 | Merger reserve S$'000 | Retained earnings S$'000 | Foreign currency translation reserve S$'000 | Safety fund surplus reserve S$'000 | Total reserves S$'000 | Non-controlling interest S$'000 | Total equity S$'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2015 | 56,541 | 850 | 10,799 | 3,802 | – | 15,451 | – | 71,992 |
| Profit for the year, net of tax | – | – | 2,209 | – | – | 2,209 | – | 2,209 |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation | – | – | – | 447 | – | 447 | – | 447 |
| Total comprehensive income for the year | – | – | 2,209 | 447 | – | 2,656 | – | 2,656 |
| Shares issued for acquisition of subsidiaries | 11,652 | – | – | – | – | – | – | 11,652 |
| Share issuance expenses | (42) | – | – | – | – | – | – | (42) |
| Acquisition of subsidiaries | – | – | – | – | – | – | 10,289 | 10,289 |
| Contributions by and distributions to owners | 11,610 | – | – | – | – | – | 10,289 | 21,899 |
| Others | | | | | | | | |
| Transfer to safety fund surplus reserve | – | – | (474) | – | 474 | – | – | – |
| Utilisation of safety fund surplus reserve | – | – | 93 | – | (93) | – | – | – |
| At 31 December 2015 | 68,151 | 850 | 12,627 | 4,249 | 381 | 18,107 | 10,289 | 96,547 |
| At 1 January 2014 | 56,541 | 850 | (8,699) | 2,476 | – | (5,373) | – | 51,168 |
| Profit for the year, net of tax | – | – | 19,498 | – | – | 19,498 | – | 19,498 |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation | – | – | – | 1,326 | – | 1,326 | – | 1,326 |
| Total comprehensive income for the year | – | – | 19,498 | 1,326 | – | 20,824 | – | 20,824 |
| Others | | | | | | | | |
| Transfer to safety fund surplus reserve | – | – | (187) | – | 187 | – | – | – |
| Utilisation of safety fund surplus reserve | – | – | 187 | – | (187) | – | – | – |
| At 31 December 2014 | 56,541 | 850 | 10,799 | 3,802 | – | 15,451 | – | 71,992 |

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

# STATEMENT **OF CHANGES IN EQUITY**

For the financial year ended 31 December 2015

| Company | Share capital S$'000 | Retained earnings S$'000 | Total equity S$'000 |
|---|---|---|---|
| At 1 January 2015 | 56,541 | 8,480 | 65,021 |
| Profit for the year, representing total comprehensive income for the year | – | 382 | 382 |
| Shares issued for acquisition of subsidiaries | 11,652 | – | 11,652 |
| Share issuance expenses | (42) | – | (42) |
| Contributions by and distributions to owners | 11,610 | – | 11,610 |
| At 31 December 2015 | 68,151 | 8,862 | 77,013 |
| At 1 January 2014 | 56,541 | (4,541) | 52,000 |
| Profit for the year, representing total comprehensive income for the year | – | 13,021 | 13,021 |
| At 31 December 2014 | 56,541 | 8,480 | 65,021 |

*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 2015

| | 2015<br>S$'000 | 2014<br>S$'000 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 3,027 | 19,484 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 3,265 | 1,346 |
| Amortisation of mine properties, land use rights and intangible asset | 304 | 240 |
| Interest expense | 1,101 | 899 |
| Interest income | (1,093) | (1,292) |
| Net fair value gains on convertible loan note, call-and-put options and redeemable preference shares | (4,850) | (20,203) |
| Gain on disposal of property, plant and equipment | (26) | (105) |
| Unrealised exchange gain | 41 | (129) |
| Amortisation of deferred income | (77) | (40) |
| Property, plant and equipment written off | – | 92 |
| Termination of pre-existing contract | 2,429 | – |
| **Operating profit before working capital changes** | 4,121 | 292 |
| Decrease/(increase) in stocks | 6,283 | (3,114) |
| (Increase)/decrease in receivables | (1,876) | 350 |
| Increase in payables | 539 | 188 |
| **Cash generated from/(used in) operations** | 9,067 | (2,284) |
| Interest received | 1,874 | 42 |
| Interest paid | (962) | (315) |
| Tax paid | (436) | – |
| **Net cash flows generated from/(used in) operating activities** | 9,543 | (2,557) |
| **Cash flow from investing activities** | | |
| Payments for property, plant and equipment (a) | (5,961) | (6,214) |
| Purchase of convertible loan note | – | (15,000) |
| Proceeds from sale of trial products | – | 6,532 |
| Payments made in advance of: | | |
| - land use rights | – | (1,236) |
| - property, plant and equipment | – | (207) |
| Proceeds from disposal of property, plant and equipment | 101 | 205 |
| Receipt of government grant | 20 | – |
| Payment of long-term deposit | – | (107) |
| Payment for land use rights (b) | (123) | – |
| Net cash inflow on acquisition of subsidiaries | 52 | – |
| **Net cash flows used in investing activities** | (5,911) | (16,027) |
| **Cash flow from financing activities** | | |
| Repayment of bank loan | (6,058) | (5,665) |
| Proceeds from bank loan | 2,308 | 3,502 |
| Proceeds from issue of redeemable preference shares | – | 7,000 |
| Increase in pledged deposits | (5) | (3) |
| Payments incurred in relation to the initial public offering | – | (629) |
| Payments for share issuance expense | (11) | – |
| **Net cash flows (used in)/generated from financing activities** | (3,766) | 4,205 |

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

# CONSOLIDATED **STATEMENT OF CASH FLOWS** (CONT'D)

For the financial year ended 31 December 2015

| | 2015<br>S$'000 | 2014<br>S$'000 |
|---|---|---|
| Net decrease in cash and cash equivalents | (134) | (14,379) |
| Cash and cash equivalents at beginning of the year | 3,211 | 17,431 |
| Effects of exchange rate changes on cash and cash equivalents | 21 | 159 |
| **Cash and cash equivalents at end of the year (Note 21)** | 3,098 | 3,211 |

**Notes to the consolidated statement of cash flows**

**(a) Payments for property, plant and equipment**

| | 2015<br>S$'000 | 2014<br>S$'000 |
|---|---|---|
| Current year additions (Note 11) | 5,372 | 4,294 |
| Add/(less): | | |
| Decrease in prepayments related to property, plant and equipment | (96) | – |
| Decrease in payables related to property, plant and equipment | 685 | 1,920 |
| **Net cash outflow for payments for property, plant and equipment** | 5,961 | 6,214 |

**(b) Payments for land use rights**

| | 2015<br>S$'000 | 2014<br>S$'000 |
|---|---|---|
| Current year additions (Note 10) | 3,208 | – |
| Less: | | |
| Decrease in prepayments related to land use rights | (3,085) | – |
| **Net cash outflow for payment for land use rights** | 123 | – |

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 1. CORPORATE INFORMATION

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

The registered office and the principal place of business of the Company are located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 and 10 Kallang Avenue Aperia #05-11, Singapore 339510 respectively.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

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

## 2. GOING CONCERN

As at 31 December 2015, the Group's current liabilities exceeded its current assets by S$7,605,000 (2014: net current assets position of S$3,024,000) mainly because the redeemable preference shares with a carrying value of S$8,050,000 which became due and payable in January 2016 was classified as current liability. As disclosed further in Note 40, the Group has successfully refinanced the redeemable preference shares after the year end. Consequently, the directors are of the view that there is no indication of material uncertainty on the Group's ability to continue as a going concern. As a result, the consolidated financial statements of the Group have been prepared on a going concern basis.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

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

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

### 3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on these financial statements of the Group and the Company.

### 3.3 Standards issued but not yet effective

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

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to FRS 1 *Disclosure Initiative* | 1 January 2016 |
| Amendments to FRS 27 *Equity Method in Separate Financial Statements* | 1 January 2016 |
| Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| Amendments to FRS 111 *Accounting for Acquisition of Interests in Joint Operations* | 1 January 2016 |
| Improvements to FRSs (November 2014) | |
| (a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* | 1 January 2016 |
| (b) Amendments to FRS 107 *Financial Instruments: Disclosures* | 1 January 2016 |
| (c) Amendments to FRS 19 *Employee Benefits* | 1 January 2016 |
| Improvements to FRSs (March 2016) | |
| (a) Amendments to FRS 7 *Disclosure Initiative* | 1 January 2017 |
| (b) Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrecognised Losses* | 1 January 2017 |

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

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

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| FRS 115 *Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 109 *Financial Instruments* | 1 January 2018 |

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach for measuring and recognising revenue when the promised goods and services are transferred to the customers i.e. when performance obligations are satisfied.

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

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

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

### 3.4 Basis of consolidation and business combinations

#### (a) Basis on 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;

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

### (a) Basis on consolidation (cont'd)

- 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 acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

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

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating units 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 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 Dollar which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### 3.6 Foreign currency (cont'd)

#### (a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit or loss.

#### (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 are measured at cost less accumulated depreciation and any accumulated impairment losses. Construction-in-progress 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. Construction-in-progress 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. Construction-in-progress 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.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### 3.7 Property, plant and equipment (cont'd)

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

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

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

Plant and machinery and mining infrastructure (waste removal costs) are depreciated using the unit-of-production method to depreciate the cost of the assets in proportion to the production of downstream products and extraction of the mineral resources. Construction-in-progress are not depreciated as these assets are not yet available for use.

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

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

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

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

E&E activities include:

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

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. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

### 3.8 Exploration and evaluation costs and mining 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 E&E 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 mining 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 mining 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 exploration and evaluation asset is unlikely to be recovered in full from successful development or through sale.

An impairment loss is recognised for the amount by which the exploration and evaluation assets’ carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the 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.

#### (b) Mines under construction

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

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

#### (c) Producing mines

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

### 3.8 Exploration and evaluation costs and mining properties (cont'd)

#### (c) Producing mines (cont'd)

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.

### 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 licensed tenure of 50 years.

### 3.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and 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 annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

Impairment losses are recognised in the profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### 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, investment in subsidiaries are accounted for at cost less accumulated impairment losses.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 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 instruments. The Group determines the classification of its financial assets at initial recognition.

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

**Subsequent measurement**

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

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

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

Financial assets designated at fair value through profit or loss comprise of convertible loan note and derivative asset as they are managed on a fair value basis and are managed as part of a specific investment strategy.

**(ii) Loans and receivables**

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

**De-recognition**

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**Regular way purchase and sale of a financial asset**

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.

#### (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.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### 3.13 Financial instruments (cont'd)

**(b) Financial liabilities (cont'd)**

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

**Subsequent measurement**

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

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

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

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

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

**(ii) Financial liabilities at amortised cost**

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

**De-recognition**

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

### 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.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### 3.14 Impairment of financial assets (cont'd)

**Financial assets carried at amortised cost (cont'd)**

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

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

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

### 3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits. These also include bank overdrafts that form an integral part of the Group's cash management. Pledged deposits are excluded for the purpose of the consolidated statements 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: purchase costs and other directly attributable costs, on a weighted average basis.
- Finished goods: costs include direct materials, direct labour and an appropriate proportionate of manufacturing overhead costs. These costs are assigned on a weighted average basis.

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

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

### 3.17 Provisions

**General**

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

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

**Provision for rehabilitation**

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### 3.17 Provisions (cont'd)

**Provision for rehabilitation (cont'd)**

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

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

### 3.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred income 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 People's Republic of China ("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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

### 3.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**(a) Sale of goods**

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

**(b) Interest income**

Interest income is recognised using the effective interest method.

### 3.23 Taxes

**(a) Current income tax**

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

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

**(b) Deferred tax**

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

### 3.23 Taxes (cont'd)

**(b) 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.

### 3.24 Share capital and share issuance expenses

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

### 3.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### 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) Determination of functional currency

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

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

#### (b) Expiry of exploration licenses and mining license

As at 31 December 2015, the Group is awaiting for approval for the renewal of one (2014: one) of its exploration licenses and one (2014: nil) of its mining licenses (collectively, the "Licenses"). The Group had submitted application for renewal of the Licenses in accordance with the applicable rules and regulation and within the stipulated timeline. The renewal for the mining license was approved in January 2016 (Note 40). At the date of this report, the renewal of one exploration right is still pending approval.

As the Group had successfully renewed all its exploration and mining licenses previously, at 31 December 2015 and at the date of this report, the directors are not aware of any reasons that the exploration license will not be renewed. Accordingly, the financial statements were prepared on the basis that the Licenses will be renewed. In the event that the Group is notified that the renewal application is unsuccessful, the carrying cost of the exploration license and certain mining infrastructure within the area covered by the exploration license will have to be written off. At 31 December 2015, the carrying cost of the exploration license and certain mining infrastructure was S$16,805,000.

At 31 December 2014, the carrying cost of the exploration license and certain mining infrastructure was S$1,809,000. The said exploration right was received in June 2015 and is valid from June 2014 to June 2016.

### 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.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 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 and deferred tax liabilities at 31 December 2015 were S$1,062,000 (2014: S$604,000) and S$19,506,000 (2014: S$1,247,000) respectively.

**(b) Useful lives of property, plant and equipment**

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

This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2015 was S$39,856,000 (2014: S$36,183,000).

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

The Group assesses whether there are any indicators of impairment for property, plant and equipment and mining properties at the end of each reporting period. Property, plant and equipment and mining properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment and mining properties as at 31 December 2015 was S$39,856,000 (2014: S$36,183,000) and S$72,329,000 (2014: S$436,000) respectively.

**(d) Impairment of provisional goodwill**

As disclosed in Note 16 to the financial statements, the recoverable amount of the cash generating unit which goodwill has been allocated to are determined based on value in use calculations. The value in use calculation is based on discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for discounted cash flow model as well as the expected future cash inflow model as well as the expected cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 16 to the financial statements. The carrying amount of provisional goodwill as at 31 December 2015 was S$8,271,000 (2014: Nil).

**(e) Fair value of financial instruments**

The Group's convertible loan note, derivative asset and redeemable preference shares are designated upon initial recognition at fair value through profit or loss and re-measured to fair value through profit or loss in subsequent reporting periods. The Group engaged an independent professional valuer to assist in determining the fair value of these financial instruments. For year ended 31 December 2014, the fair value of the financial instruments was estimated by an independent professional valuer using the Binomial Model and Discounted Cash Flow method. For year ended 31 December 2015, the Group used the same methods.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

### 4.2 Key sources of estimation uncertainty (cont'd)

**(e) Fair value of financial instruments (cont'd)**

The estimation included some assumptions not supported by observable market prices or rates such as the discount rate, volatility, credit risk, and expected future cash flows, and hence they are subject to uncertainty. Favourable or unfavourable changes to these assumptions would result in significant changes in the fair value of the convertible loan note, derivative asset and redeemable preference shares and the corresponding adjustments to the amount of gain or loss reported in profit or loss.

The fair value of the convertible loan note, derivative asset and redeemable preference shares at 31 December 2015 was Nil (2014: S$23,077,000), Nil (2014: S$13,326,000) and S$8,050,000 (2014: S$8,200,000) respectively. This had resulted in net fair value gains of S$4,850,000 and S$20,203,000 for the financial year ended 31 December 2015 and 2014 respectively.

**(f) Impairment of investment in subsidiaries**

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries at 31 December 2015 was S$59,022,000 (2014: S$33,545,000).

## 5. REVENUE

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

## 6. OTHER INCOME

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| Fair value gains/(loss) on | | |
| - Convertible loan note (Note 12) | 4,200 | 8,077 |
| - Derivative asset (Note 12) | 500 | 13,326 |
| - Redeemable preference shares (Note 25) | 150 | (1,200) |
| Interest income | 1,093 | 1,292 |
| Government grants and subsidy income[(1)] | 36 | 18 |
| Sale of scrap | 107 | 8 |
| Gain on disposal of property, plant and equipment | 26 | 105 |
| Amortisation of deferred income | 78 | 40 |
| Others | 188 | 115 |
| | 6,378 | 21,781 |

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 7. PROFIT BEFORE TAX

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

| | Group | |
|---|---|---|
| | 2015 S$'000 | 2014 S$'000 |
| Amortisation of mine properties | (144) | (150) |
| Amortisation of land use rights | (102) | (36) |
| Amortisation of intangible asset | (58) | (54) |
| Audit fees * | | |
| - Auditors of the Company | (119) | (60) |
| - Other auditors | (129) | (77) |
| Non-audit fees * | | |
| - Auditors of the Company | (50) | (17) |
| Depreciation of property, plant and equipment | (3,265) | (1,346) |
| Exchange gain * | 6 | 208 |
| Staff costs | (2,298) | (2,206) |
| Defined contribution plan | (940) | (446) |
| Directors' fees * | | |
| - Directors of the Company | (338) | (353) |
| - Directors of subsidiaries | (93) | (69) |
| Director's remuneration * | | |
| - Directors of the Company | (360) | (317) |
| - Directors of subsidiaries | (441) | (241) |
| Gain on disposal of property, plant and equipment | 26 | 105 |
| Allowance for doubtful debts written-back * | – | (1) |
| Property, plant and equipment written off | – | (92) |
| Termination of pre-existing contract | (2,429) | – |
| Finance costs | | |
| - Interest on bank loan and bank overdraft | (262) | (315) |
| - Interest on redeemable preference shares | (839) | (584) |
| - Bank charges and other finance costs | (128) | (18) |

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 8. TAXATION

**Major components of income tax expense**

The major components of income tax expense for the financial years ended 31 December 2015 and 2014 are as follows:

| | Group | |
|---|---|---|
| | **2015 S$'000** | **2014 S$'000** |
| Current income tax | (892) | (577) |
| Deferred income tax (Note 26) | | |
| - origination and reversal of temporary differences | 74 | 169 |
| - overprovision in respect of previous years | – | 422 |
| | 74 | 591 |
| | (818) | 14 |

**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 2015 and 2014 is as follows:

| | Group | |
|---|---|---|
| | **2015 %** | **2014 %** |
| Domestic statutory tax rates | 17.00 | 17.00 |
| Adjustments on tax effect of: | | |
| Non-deductible expenses | 29.65 | 1.51 |
| Income not subject to taxation | (28.19) | (17.81) |
| Deferred tax assets not recognised | 0.38 | 1.41 |
| Over provision of deferred tax in respect of previous years | – | (2.17) |
| Differences in tax rates | 8.18 | 0.52 |
| Others | – | (0.53) |
| Effective tax rate | 27.02 | (0.07) |

The PRC subsidiaries are subject to income tax at rate of 25% (2014: 25%).

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

During the financial year ended 31 December 2015, the Group utilised current year tax losses of S$1,520,000 (2014: S$496,000) to set off the assessable income of certain companies within the Group.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 9. MINE PROPERTIES

| | Group | | |
|---|---|---|---|
| | **Exploration and evaluation assets S$'000** | **Producing mines S$'000** | **Total S$'000** |
| **Cost** | | | |
| At 1 January 2014 | – | 2,470 | 2,470 |
| Currency realignment | – | 96 | 96 |
| At 31 December 2014 and 1 January 2015 | – | 2,566 | 2,566 |
| Additions through acquisition of subsidiaries (Note 17) | 30,423 | 41,608 | 72,031 |
| Currency realignment | – | 30 | 30 |
| At 31 December 2015 | 30,423 | 44,204 | 74,627 |
| **Accumulated amortisation** | | | |
| At 1 January 2014 | – | 1,899 | 1,899 |
| Charge for the year | – | 150 | 150 |
| Currency realignment | – | 81 | 81 |
| At 31 December 2014 and 1 January 2015 | – | 2,130 | 2,130 |
| Charge for the year | – | 144 | 144 |
| Currency realignment | – | 24 | 24 |
| At 31 December 2015 | – | 2,298 | 2,298 |
| **Net carrying amount** | | | |
| At 31 December 2015 | 30,423 | 41,906 | 72,329 |
| At 31 December 2014 | – | 436 | 436 |
| **Remaining useful lives** | | | |
| At 31 December 2015 | | 1 to 5 years | |
| At 31 December 2014 | | 2 to 6 years | |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 10. LAND USE RIGHTS

| | Group | |
|---|---|---|
| | 2015<br>S$'000 | 2014<br>S$'000 |
| **Cost** | | |
| At 1 January | 1,863 | 1,793 |
| Additions | 3,208 | – |
| Currency realignment | (12) | 70 |
| At 31 December | 5,059 | 1,863 |
| | | |
| **Accumulated amortisation** | | |
| At 1 January | 112 | 72 |
| Amortisation for the year | 102 | 36 |
| Currency realignment | * | 4 |
| At 31 December | 214 | 112 |
| | | |
| **Net carrying amount** | 4,845 | 1,751 |
| | | |
| Amount to be amortised: | | |
| - Not later than one year | 102 | 36 |
| - Later than one year but not more than five years | 408 | 144 |
| - Later than five years | 4,335 | 1,571 |
| | 4,845 | 1,751 |
| | | |
| **Remaining useful lives** | 46 to 49 years | 47 years |

* denotes amount less than S$1,000.

Land use rights represent cost of land use rights in respect of 2 (2014: 1) leasehold lands located in Sichuan, PRC.

A PRC subsidiary obtained land use rights in Gongxing Town, Mianzhu City, Sichuan, PRC, with licensed tenure of approximately 50 years when obtained in December 2011 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 2015 and 2014, land use rights with carrying value of S$1,734,000 (RMB 8.0 million) (2014: S$1,751,000 (RMB 8.1 million)) are pledged to secure the interest-bearing bank loan (Note 24).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 11. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold buildings S$'000 | Leasehold improvements S$'000 | Plant and machinery S$'000 | Motor vehicles and office equipment S$'000 | Mining infrastructure S$'000 | Construction-in-progress S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2014 | 1,551 | 138 | 7,770 | 976 | 2,027 | 25,283 | 37,745 |
| Additions | 53 | 198 | 525 | 136 | 2,009 | 1,373 | 4,294 |
| Transfers | 8,059 | – | 16,231 | – | 353 | (24,643) | – |
| Disposals | – | – | – | (364) | – | – | (364) |
| Written off | – | – | – | – | – | (92) | (92) |
| Currency realignment | 435 | 5 | 1,157 | 26 | 188 | (65) | 1,746 |
| At 31 December 2014 and 1 January 2015 | 10,098 | 341 | 25,683 | 774 | 4,577 | 1,856 | 43,329 |
| Additions | 21 | – | 182 | 616 | 3,690 | 863 | 5,372 |
| Acquisition of subsidiaries (Note 17) | – | – | – | – | 1,239 | – | 1,239 |
| Transfers | 1,990 | – | (469) | – | 1,069 | (2,590) | – |
| Disposals | – | – | (75) | (149) | – | – | (224) |
| Currency realignment | 96 | 2 | 319 | 7 | 3 | 53 | 480 |
| At 31 December 2015 | 12,205 | 343 | 25,640 | 1,248 | 10,578 | 182 | 50,196 |
| **Accumulated depreciation and impairment** | | | | | | | |
| At 1 January 2014 | 235 | 138 | 4,411 | 722 | 206 | – | 5,712 |
| Charge for the year | 309 | 13 | 458 | 118 | 448 | – | 1,346 |
| Disposals | – | – | – | (264) | – | – | (264) |
| Currency realignment | 23 | 5 | 272 | 21 | 31 | – | 352 |
| At 31 December 2014 and 1 January 2015 | 567 | 156 | 5,141 | 597 | 685 | – | 7,146 |
| Charge for the year | 622 | 40 | 686 | 185 | 1,732 | – | 3,265 |
| Disposals | – | – | (2) | (147) | – | – | (149) |
| Currency realignment | * | 2 | 76 | 7 | (7) | – | 78 |
| At 31 December 2015 | 1,189 | 198 | 5,901 | 642 | 2,410 | – | 10,340 |
| **Net carrying amount** | | | | | | | |
| At 31 December 2015 | 11,016 | 145 | 19,739 | 606 | 8,168 | 182 | 39,856 |
| At 31 December 2014 | 9,531 | 185 | 20,542 | 177 | 3,892 | 1,856 | 36,183 |

* denotes amount less than S$1,000.

Assets pledged as security

At 31 December 2015, plant and equipment of the Group with a carrying amount of S$22,043,000 (RMB 101,100,000) (2014: S$22,080,000 (RMB 102,500,000)) are pledged to secure the interest-bearing bank loan (Note 24).

## 12. CONVERTIBLE LOAN NOTE AND DERIVATIVE ASSET

On 30 April 2014, a subsidiary of the Group, AsiaPhos Resources Pte. Ltd. ("APR"), subscribed for Convertible Loan Note (the "CLN") of S$15,000,000 issued by a Singapore incorporated company, LY Resources Pte Ltd ("LYR"). The contracted maturity date of the CLN was 30 October 2016. At the same time, the Company entered into a conditional put and call option agreement with an individual (the "Vendor"), pursuant to which (i) the Company has been granted a call option to require to the Vendor to sell, and procure the sale of, all the shares of LYR ("Call Option"), and (ii) the Vendor has been granted a put option to require the Company to purchase all (but not some only) of the LYR Shares ("Put Option") (the Call Option and the Put Option collectively, the "Options"). As at 31 December 2014, the Vendor held 50% equity interest in a co-operation partner ("Dashan") of the Group's mining operations and 100% equity of LYR.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

Subject to certain conditions being met, APR has the right to convert all of its outstanding CLN into shares of LYR at any time up to and including the maturity date. The CLN entitles the Group to 35% discount to the independent valuation of LYR, and bore cash and deferred interest at 10% and 2.5% per annum respectively. The cash interest was receivable annually while the deferred interest was receivable when the CLN are converted or redeemed.

Upon the exercise of the Call Option or Put Option, the Company will issue new ordinary shares in the capital of the Company to the Vendor (the "Consideration Shares") to satisfy the consideration payable to the Vendor for the exercise of the options. The issue price of the Consideration Shares shall be determined based on the weighted average price ("WAP") of the Company's shares for the 30 business days prior to the exercise of the Option, provided always that the issue price of each Consideration Share shall be between S$0.25 and S$0.30 both amounts inclusive; and if the WAP is less than S$0.25, the issue price of each Consideration Share shall be S$0.25, and if the WAP is greater than S$0.30, the issue price of each Consideration Share shall be S$0.30.

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

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

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

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

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

| | Group | | | |
|---|---|---|---|---|
| | CLN | | Derivative asset | |
| | 2015<br>S$'000 | 2014<br>S$'000 | 2015<br>S$'000 | 2014<br>S$'000 |
| At 1 January | 23,077 | – | 13,326 | – |
| Cost of financial asset acquired | – | 15,000 | – | – |
| Fair value gain on financial asset at fair value through profit or loss recognised during the year (Note 6) | 4,200 | 8,077 | 500 | 13,326 |
| Transfer to investment in subsidiaries (Note 17) | (27,277) | – | (13,826) | – |
| At 31 December | – | 23,077 | – | 13,326 |

At the Company level, the fair value gain recognised during the year ended 31 December 2015 on the derivative asset was S$500,000 (2014: S$13,326,000).

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

| | Group | |
|---|---|---|
| | 2015<br>S$'000 | 2014<br>S$'000 |
| Risk-free interest rate (% per annum) | 0.6% | 0.6% |
| Equity return volatility (% per annum) | 40.0% | 40.0% |
| Dividend yield | 0.0% | 0.0% |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 13. PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 S$'000 | 2014 S$'000 | 2015 S$'000 | 2014 S$'000 |
| **Non-current** | | | | |
| Payments made in respect of | | | | |
| - Land use rights | 561 | 3,572 | – | – |
| - Property, plant and equipment | 26 | 2,172 | – | – |
| | 587 | 5,744 | – | – |
| **Current** | | | | |
| Advances to suppliers | – | 410 | – | – |
| Miscellaneous | 1,063 | 337 | 143 | 136 |
| | 1,063 | 747 | 143 | 136 |

Prepayments for land use rights relate to 1 (2014: 2) leasehold land in Mianzhu, Sichuan, PRC.

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

## 14. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 S$'000 | 2014 S$'000 | 2015 S$'000 | 2014 S$'000 |
| **Non-current** | | | | |
| Long-term deposits | 269 | 265 | – | – |
| Refundable deposits | 28 | – | – | – |
| Deferred interest receivable | – | 250 | – | – |
| | 297 | 515 | – | – |
| **Current** | | | | |
| Other receivables | 472 | 846 | 34 | 58 |
| Cash interest receivable | – | 1,000 | – | – |
| Refundable deposits | 9 | 32 | 6 | – |
| | 481 | 1,878 | 40 | 58 |

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

Deferred and cash interest receivables represented interest income in connection with CLN (Note 12).

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

| | Group and Company | |
|---|---|---|
| | 2015 S$'000 | 2014 S$'000 |
| Euro | 33 | 51 |

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 14. OTHER RECEIVABLES (CONT'D)

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 | |
|---|---|---|---|---|
| | **2015 S$'000** | **2014 S$'000** | **2015 S$'000** | **2014 S$'000** |
| Other receivables – nominal amounts | 43 | 42 | – | – |
| Less: Allowance for doubtful receivables | (43) | (42) | – | – |
| | – | – | – | – |

Movements in allowance for doubtful receivables:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 S$'000** | **2014 S$'000** | **2015 S$'000** | **2014 S$'000** |
| At 1 January | 42 | 41 | – | – |
| Currency realignment | 1 | 1 | – | – |
| At 31 December | 43 | 42 | – | – |

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

## 15. INTANGIBLE ASSET

| | **Group S$'000** |
|---|---|
| **Cost** | |
| At 1 January 2014 | 162 |
| Currency realignment | 7 |
| At 31 December 2014 and 1 January 2015 | 169 |
| Currency realignment | 2 |
| At 31 December 2015 | 171 |
| **Accumulated amortisation** | |
| At 1 January 2014 | – |
| Charge for the year | 54 |
| Currency realignment | 2 |
| At 31 December 2014 and 1 January 2015 | 56 |
| Charge for the year | 58 |
| Currency realignment | * |
| At 31 December 2015 | 114 |
| **Net carrying amount** | |
| At 31 December 2015 | 57 |
| At 31 December 2014 | 113 |
| **Remaining useful lives** | |
| At 31 December 2015 | 1 year |
| At 31 December 2014 | 2 years |

* denotes amount less than S$1,000.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 15. INTANGIBLE ASSET (CONT'D)

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

The amortisation of intangible asset is included in the "General and Administrative costs" in the consolidated statement of comprehensive income.

## 16. PROVISIONAL GOODWILL

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| At 1 January | – | – |
| Additions acquired through business combination (Note 17) | 8,271 | – |
| At 31 December | 8,271 | – |

Goodwill acquired through business combination has been allocated to LYR Group cash-generating unit ("CGU").

The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a seventeen-years period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| Growth rate | 5.00% | – |
| Pre-tax discount rate | 16.75% | – |

**Key assumptions used in the value in use calculations**

Growth rate – the forecasted growth rate used is based on best estimates of the management and does not exceed the long-term average rate relevant to the CGU.

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

**Sensitivity to changes in assumptions**

With regards to the assessment of value in use for the CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

## 17. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| Unquoted shares, at cost: | | |
| At 1 January | 33,545 | 33,545 |
| Additions during the year | 25,477 | * |
| At 31 December | 59,022 | 33,545 |

* denotes amount less than S$1,000.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 17. INVESTMENT IN SUBSIDIARIES (CONT'D)

### a. Composition of the Group

| Name of company (Country of registration) | Principal activity (Place of business) | Percentage of equity held by the Company 2015 % | 2014 % |
|---|---|---|---|
| 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.# (i) (Republic of Singapore) | Investment holding (Republic of Singapore) | 100 | 100 |
| Held through Norwest Chemicals Pte Ltd | | | |
| Sichuan Mianzhu Norwest Phosphate Chemical Company Limited* (People's Republic of China) | Exploration, mining and sale of phosphate rocks, the production and sale of phosphorus and phosphate based chemical products (People's Republic of China) | 100 | 100 |
| Held through AsiaPhos Resources Pte. Ltd. | | | |
| LY Resources Pte. Ltd.# (Republic of Singapore) | Investment holding (Republic of Singapore) | 100 | – |
| Held through LY Resources Pte. Ltd. | | | |
| XDL Resources Pte. Ltd.# (Republic of Singapore) | Investment holding (Republic of Singapore) | 100 | – |
| Deyang Xin Zhong Lian He Technical Consulting Co., Ltd.* (People's Republic of China) | Investment holding (People's Republic of China) | 100 | – |
| Held through XDL Resources Pte. Ltd. | | | |
| Deyang City Xianrong Technical Consulting Co., Ltd.* (People's Republic of China) | Investment holding (People's Republic of China) | 100 | – |
| Held through Deyang City Xianrong Technical Consulting Co., Ltd. | | | |
| Deyang Fengtai Mining Co., Ltd. (People's Republic of China) | Exploration and mining (People's Republic of China) | 55 | – |

# Audited by Ernst & Young LLP, Singapore
* Audited by Ernst & Young Hua Ming LLP, Chengdu Branch
(i) For the year ended 31 December 2014, the Company incorporated a subsidiary, AsiaPhos Resources Pte. Ltd.. Cost of investment in the subsidiary was S$2.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 17. INVESTMENT IN SUBSIDIARIES (CONT'D)

### b. Interest in subsidiaries with material non-controlling interest

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

| Name of subsidiary | Principal place of business | Proportion of ownership interest held by controlling interest | Profit/(loss) allocated to non-controlling interest during the period S$'000 | Accumulated non-interest at the end of the reporting period S$'000 | Dividends paid to non-controlling interest S$'000 |
|---|---|---|---|---|---|
| Deyang Fengtai Mining Co., Ltd. | People's Republic of China | 45% | – | 10,289 | – |

### c. Summarised financial information of subsidiaries with material non-controlling interest

Summarised financial information (without adjusting for the Group's proportion of ownership) of Fengtai excluding provisional goodwill and before eliminations of intercompany balances are as follows:

**Summarised balance sheets**

| | Fengtai 2015 S$'000 | Fengtai 2014 S$'000 |
|---|---|---|
| Current assets | 64 | – |
| Current liabilities | (153) | – |
| Net current liabilities | (89) | – |
| Non-current assets | 30,497 | – |
| Non-current liabilities | (7,606) | – |
| Net non-current assets | 22,891 | – |
| Net assets | 22,802 | – |

**Summarised statement of comprehensive income**

| | | |
|---|---|---|
| Other income | 56 | – |
| Loss before taxation | (16) | – |
| Loss after taxation representing total comprehensive income for the period | (16) | – |

**Other summarised information**

| | | |
|---|---|---|
| Net cash flows from operating activities | (35) | – |
| Net cash flows from investing activities | (75) | – |

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 17. INVESTMENT IN SUBSIDIARIES (CONT'D)

### d. Acquisition of subsidiaries

On 29 June 2015, a subsidiary of the Group, AsiaPhos Resources Pte. Ltd. ("APR"), exercised its right to convert the Convertible Loan Note ("CLN") (Note 12), pursuant to which, LY Resources Pte. Ltd. ("LYR") issued new LYR shares, representing approximately 46.5% of the enlarged issued share capital of LYR to APR (Note 12). At the same time, the Company exercised its Call Option to acquire the remaining equity of LYR and issued 101,319,000 Consideration Shares as consideration. The aggregate consideration was S$52,944,000. The conversion was completed on 27 July 2015 (the "Acquisition Date") and LYR becomes a wholly-owned subsidiary of the Group.

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

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

The provisional fair value of the identifiable assets and liabilities of LYR Group as at the acquisition date were:

| | Provisional fair value recognised on acquisition S$'000 |
|---|---|
| Property, plant and equipment | 1,239 |
| Mine properties | 72,031 |
| Cash and cash equivalents | 52 |
| Deferred tax liabilities | (18,318) |
| Other liabilities | (42) |
| Net identifiable assets, at fair value | 54,962 |
| Non-controlling interest measured at the non-controlling interest's proportional share of Fengtai's net identifiable assets | (10,289) |
| Provisional goodwill on acquisition | 8,271 |
| | 52,944 |

The fair values disclosed are provisional as at 31 December 2015. This is because due to the complexity of the acquisition and the inherently uncertain nature of the mining sector, particularly in valuing intangible exploration and evaluation assets, further work will be required to confirm the final fair values. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest. Based on preliminary valuation, the provisional fair value of the mine properties was approximately S$72.0 million (RMB322 million), with the Group's share of the mine properties being S$58.3 million (RMB261 million).

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 17. INVESTMENT IN SUBSIDIARIES (CONT'D)

### d. Acquisition of subsidiaries (cont'd)

*Consideration transferred for the acquisition of LYR Group*

| | **Provisional fair value recognised on acquisition S$'000** |
|---|---|
| Conversion of CLN (Note 12) | 27,277 |
| Conversion of deferred interest on CLN (Note 12) | 469 |
| Derivative asset (Note 12) | 13,826 |
| Prepayment made in prior year (Note 13) | 2,150 |
| Issuance of 101,319,000 Consideration Shares (Note 29) | 11,651 |
| Total consideration transferred | 55,373 |
| Termination of pre-existing contract (Note 7) | (2,429) |
| Net consideration transferred | 52,944 |

With the acquisition of LYR Group, the Group acquired the economic benefits of the joint mining operations from the former-co-operation partner. A portion of the purchase consideration was deemed to be incurred on termination of pre-existing contract, accordingly the amount of S$2,429,000 (2014: Nil) was written off to consolidated statement of comprehensive income (Note 7).

*Effect of the acquisition on cash flows*

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

*Equity instruments issued as part of consideration transferred*

In connection with the exercise of Call Option to acquire the remaining equity of LYR Group, the Company issued 101,319,000 Consideration Shares with fair value of S$0.115 each. The fair value of the Consideration Shares is the published price of the shares at the acquisition date. The attributable cost of the issuance of shares as consideration amounting to S$42,000 has been recognised directly in equity as reduction from share capital (Note 29).

Except for the above mentioned issuance costs, there were no other transactions costs related to the acquisition for year ended 31 December 2015.

*Provisional goodwill arising from acquisition*

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

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 17. INVESTMENT IN SUBSIDIARIES (CONT'D)

### d. Acquisition of subsidiaries (cont'd)

*Impact of the acquisition on profit or loss*

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

## 18. STOCKS

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| **Balance sheet** | | |
| Packaging and raw materials, at cost | 1,309 | 3,143 |
| Finished goods, at cost | 1,419 | 5,699 |
| | 2,728 | 8,842 |
| **Consolidated statement of comprehensive income** | | |
| Stocks recognised as an expense in cost of sales | 36,018 | 19,138 |

There is no movement and balance for allowance for stocks obsolescence for the years ended 31 December 2015 and 2014.

## 19. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| Trade receivables | 1,485 | 428 |
| Note receivables | 2,937 | 2,070 |
| | 4,422 | 2,498 |

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 values on initial recognition.

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| United States Dollar | – | 76 |

Note receivables

At 31 December 2015, notes receivables accepted by banks in the PRC with carrying amount of S$3,546,000 (approximately RMB16,268,000) (2014: S$808,000 (approximately RMB3,750,000)) ("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 (2014: one to five) months at the end of the reporting period. In the opinion of the directors of the Group, the Group transferred all risks and rewards relating to the De-recognised Notes. Accordingly, the Group has derecognised the full carrying amounts of the De-recognised Notes and the associated trade payables.

The maximum exposure to loss from the Group's continuing involvement in these De-recognised Notes and the undiscounted cash flows to repurchase these De-recognised Notes equals to their carrying amounts. In the opinion of the directors of the Group, the fair values of the Group's continuing involvement in the De-recognised Notes are not significant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 19. TRADE RECEIVABLES (CONT'D)

Note receivables (cont'd)

For the year ended 31 December 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes (2014: 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 S$34,000 (2014: S$124,000) 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 | |
|---|---|---|
| | **2015 S$'000** | **2014 S$'000** |
| Less than one month past due | – | 78 |
| More than one month but less than three months past due | 34 | 46 |
| | 34 | 124 |

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 | |
|---|---|---|
| | **2015 S$'000** | **2014 S$'000** |
| Trade receivables – nominal amounts | 55 | 54 |
| Less: Allowance for doubtful trade receivables | (55) | (54) |
| | – | – |

Movements in allowance for doubtful trade receivables:

| | Group | |
|---|---|---|
| | **2015 S$'000** | **2014 S$'000** |
| At 1 January | 54 | 53 |
| Allowance for doubtful debts written back (Note 7) | – | (1) |
| Currency realignment | 1 | 2 |
| At 31 December | 55 | 54 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 20. AMOUNTS DUE FROM SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | S$'000 | S$'000 |
| Amounts due from subsidiaries | | |
| - Advances | 16,379 | 15,724 |
| - Non-trade | 46 | 84 |
| - Interest receivable | 758 | 644 |
| | 17,183 | 16,452 |

Amounts due from subsidiaries are unsecured, repayable on demand and are to be settled in cash. Non-trade amounts due from subsidiaries are non-interest bearing. Except for an amount of S$30,000 (2014: Nil), interest is charged on advances at 5% (2014: 5%) per annum for the year ended 31 December 2015.

## 21. CASH AND BANK BALANCES

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Cash and bank balances | 4,301 | 4,838 | 1,018 | 2,121 |
| Bank overdraft (secured) | (16) | (447) | (16) | (447) |
| Less: Pledged deposits | (1,187) | (1,180) | (1,007) | (1,000) |
| Cash and cash equivalents/(bank overdraft) | 3,098 | 3,211 | (5) | 674 |

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 0.57% (2014: 0.44%) per annum.

As at 31 December 2015, pledged deposits include amounts pledged for bank overdraft facility and mining activities of S$1,007,000 (2014: S$1,000,000) and S$180,000 (2014: S$180,000) respectively.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| United States Dollar | 45 | 101 | 1 | 61 |
| Euro | 10 | 17 | 10 | 17 |

## 22. TRADE PAYABLES

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 23. OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 S$'000 | 2014 S$'000 | 2015 S$'000 | 2014 S$'000 |
| **Non-current** | | | | |
| Preference deferred dividends | – | 117 | – | – |
| **Current** | | | | |
| Payables related to: | | | | |
| Taxes other than income tax | 2,300 | 1,774 | – | – |
| Payroll and welfare payable | 412 | 468 | – | – |
| Property, plant and equipment | 842 | 1,502 | – | – |
| Other payables | 1,018 | 1,074 | 31 | 170 |
| Preference cash dividends | 438 | 467 | – | – |
| Preference deferred dividends | 284 | – | – | – |
| Deposits received | 895 | 636 | – | – |
| Accrued liabilities | 659 | 400 | 346 | – |
| | 6,848 | 6,321 | 377 | 170 |

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

Preference deferred and cash dividend payable represent dividends in connection with redeemable preference shares (Note 25).

## 24. INTEREST-BEARING BANK LOAN

| | Group | |
|---|---|---|
| | 2015 S$'000 | 2014 S$'000 |
| Short term bank loan | – | 3,664 |

The short term bank loan was denominated in RMB and bore interest at 5.8% per annum. The loan was fully repaid in 2015.

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

## 25. REDEEMABLE PREFERENCE SHARES

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

The dividend rate of 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 RPS are converted or redeemed.

The terms of the RPS allow the RPS holders a choice of cash redemption and non-cash redemption. Cash redemption (at or before maturity) entails the Group to redeem 115% of the principal amount, together with preference cash dividends and preference deferred dividends for the period up to (but excluding) the redemption date. Non-cash redemption entails conversion of the RPS into new LYR shares (issued to such RPS holders at the direction of the Group upon conversion of the CLN). RPS holders who have elected non-cash redemption will thereby become shareholders of LYR ("LYR Investors").

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 25. REDEEMABLE PREFERENCE SHARES (CONT'D)

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

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

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

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

The following table lists the key inputs to the model used:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| Risk-free interest rate (% per annum) | 0.6% | 0.6% |
| Discount rate | 11.0% | 11.0% |

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

| | Group | |
|---|---|---|
| | **2015 S$'000** | **2014 S$'000** |
| At 1 January | 8,200 | – |
| Cost of financial liability acquired | – | 7,000 |
| Fair value (gain)/loss on financial liability at fair value through profit or loss recognised during the year | (150) | 1,200 |
| At 31 December | 8,050 | 8,200 |

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 26. DEFERRED TAX LIABILITIES

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

| Group | Unutilised tax losses S$'000 | Deferred income S$'000 | Environ-mental grant S$'000 | Unremitted foreign income S$'000 | Difference in depreciation for tax purpose S$'000 | Fair value adjustments on acquisition of subsidiary S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2014 | (474) | – | 414 | 42 | 1,815 | – | 1,797 |
| Charge/(credit) to profit or loss during the year (Note 8) | 471 | (583) | (412) | – | (67) | – | (591) |
| Currency realignment | 3 | (27) | (2) | – | 67 | – | 41 |
| At 31 December 2014 and 1 January 2015 | – | (610) | – | 42 | 1,815 | – | 1,247 |
| Charge/(credit) to profit or loss during the year (Note 8) | – | 18 | – | – | (92) | – | (74) |
| Acquisition of subsidiaries (Note 17) | – | – | – | – | – | 18,318 | 18,318 |
| Currency realignment | – | (7) | – | – | 22 | – | 15 |
| At 31 December 2015 | – | (599) | – | 42 | 1,745 | 18,318 | 19,506 |

Unrecognised tax losses

As at 31 December 2015, the Group had tax losses and deductible temporary differences totaling approximately S$2,295,000 (2014: S$2,344,000) to offset against future taxable profits of the companies in which the losses and temporary differences arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The tax losses have no expiry date but the use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2014: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 39).

## 27. DEFERRED INCOME

| | Group 2015 S$'000 | Group 2014 S$'000 |
|---|---|---|
| At 1 January | 2,438 | 2,387 |
| Received during the year | 18 | – |
| Recognised in profit or loss during the year | (78) | (40) |
| Currency realignment | 29 | 91 |
| At 31 December | 2,407 | 2,438 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 28. PROVISION FOR REHABILITATION

| | Group | |
|---|---|---|
| | 2015 S$'000 | 2014 S$'000 |
| At 1 January | 175 | 169 |
| Currency realignment | 2 | 6 |
| At 31 December | 177 | 175 |

The Group makes provision for the future cost of rehabilitating mine sites on a discounted basis at rates ranging from 3.64% to 3.77% (2014: 3.36% to 3.64%) as at 31 December 2015.

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

## 29. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | No. of shares '000 | S$'000 | No. of shares '000 | S$'000 |
| **Issued and paid-up** | | | | |
| At 1 January | 800,000 | 56,541 | 800,000 | 56,541 |
| Issued for acquisition of subsidiaries (Note 17) | 101,319 | 11,652 | – | – |
| Share issuance expenses (Note 17) | – | (42) | – | – |
| At 31 December | 901,319 | 68,151 | 800,000 | 56,541 |

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.

## 30. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 S$'000 | 2014 S$'000 | 2015 S$'000 | 2014 S$'000 |
| Retained earnings | 12,627 | 10,799 | 8,862 | 8,480 |
| Foreign currency translation reserve | 4,249 | 3,802 | – | – |
| Merger reserve | 850 | 850 | – | – |
| Safety fund surplus reserve | 381 | – | – | – |
| | 18,107 | 15,451 | 8,862 | 8,480 |

### (a) Foreign currency translation reserve

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 30. RESERVES (CONT'D)

### (b) Merger reserve

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

### (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, the 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.

## 31. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares of 843,859,000 (2014: 800,000,000) ordinary shares.

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

The basic and fully diluted earnings per share for 31 December 2015 were the same as there were no potential dilutive instruments.

The basic and fully diluted earnings per share for 31 December 2014 were the same as (i) the conditions for the Options were not met as at end of the reporting period; and (ii) the RPS are anti-dilutive.

## 32. SEGMENT INFORMATION

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

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

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

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 32. SEGMENT INFORMATION (CONT'D)

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. The Chief Operating Decision Maker does not monitor assets and liabilities by segments. The assets and liabilities are managed on a group basis. However, the information on additions to mine properties, land use rights, property, plant and equipment, long-term deposits, convertible loan note, derivative asset and intangible asset by operating segments is regularly provided to the Chief Operating Decision Maker. Provisional goodwill is managed on a group basis.

| | Upstream | | Downstream | | Adjustments and eliminations | | Note | Per consolidated financial statements | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 S$'000 | 2014 S$'000 | 2015 S$'000 | 2014 S$'000 | 2015 S$'000 | 2014 S$'000 | | 2015 S$'000 | 2014 S$'000 |
| Consolidated statement of comprehensive income | | | | | | | | | |
| Revenue – external | 17,957 | 12,731 | 26,548 | 11,091 | – | – | A | 44,505 | 23,822 |
| Gain on disposal of property, plant and equipment | – | – | – | – | 26 | 105 | B | 26 | 105 |
| Amortisation expenses | (144) | (152) | (160) | (88) | – | – | | (304) | (240) |
| Depreciation of property, plant and equipment | (2,014) | (655) | (846) | (672) | (405) | (19) | B | (3,265) | (1,346) |
| Interest income | – | – | – | – | 1,093 | 1,292 | B | 1,093 | 1,292 |
| Net fair value gains on financial instruments | – | – | – | – | 4,850 | 20,203 | B | 4,850 | 20,203 |
| Termination of pre-existing contract | (2,429) | – | – | – | – | – | | (2,429) | – |
| Segment profit/(loss) before tax | 2,637 | 2,582 | 882 | (1,114) | (492) | 18,016 | C | 3,027 | 19,484 |
| Assets | | | | | | | | | |
| Additions to non-current assets | 76,246 | 39,478 | 3,586 | 822 | 402 | 411 | D | 80,234 | 40,711 |

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

A There were no inter-segment revenue.

B Adjustments relate to unallocated corporate income and expenses.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 32. SEGMENT INFORMATION (CONT'D)

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

| | Group | |
|---|---|---|
| | 2015 S$'000 | 2014 S$'000 |
| Gain on disposal of property, plant and equipment | 26 | 105 |
| Interest income | 1,093 | 1,292 |
| Government grant and subsidy income | 36 | 18 |
| Net fair value gains/(loss) on financial instruments | | |
| - Convertible loan note (Note 12) | 4,200 | 8,077 |
| - Derivative asset (Note 12) | 500 | 13,326 |
| - Redeemable preference shares (Note 25) | 150 | (1,200) |
| Exchange gain | 6 | 208 |
| Interest expense | (1,218) | (899) |
| Other corporate expenses* | (5,285) | (2,911) |
| | (492) | 18,016 |

* Increase in other corporate expenses mainly due to general and administrative expenses.

D Additions to non-current assets comprise additions to property, plant and equipment, land use rights, mining properties, other receivables (non-current), convertible loan note, derivative asset and intangible asset.

Geographical information

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

| | Group | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | S$'000 | % | S$'000 | % |
| People's Republic of China | 43,217 | 97 | 22,779 | 96 |
| Others | 1,288 | 3 | 1,043 | 4 |
| Total | 44,505 | 100 | 23,822 | 100 |

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

| | Group | |
|---|---|---|
| | 2015 S$'000 | 2014 S$'000 |
| People's Republic of China | 125,841 | 42,139 |
| Singapore | 401 | 39,006 |
| | 126,242 | 81,145 |

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

Information about major customers

| | Group | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | S$'000 | % of revenue | S$'000 | % of revenue |
| Customer A [(1)] | 13,291 | 30 | 11,202 | 47 |
| Customer B [(2)] | 4,987 | 11 | 1,124 | 4 |

(1) Upstream segment
(2) Downstream segment

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 32. SEGMENT INFORMATION (CONT'D)

Information about products

Revenue information based on products is as follows:

| | Group | |
|---|---|---|
| | **2015** **S$'000** | **2014** **S$'000** |
| Phosphate rocks | 17,957 | 12,731 |
| Elemental phosphorus and its by-products | 25,260 | 9,277 |
| Sodium Tripolyphosphate | 942 | 1,480 |
| Sodium Hexametaphosphate | 292 | 297 |
| Others * | 54 | 37 |
| | 44,505 | 23,822 |

* Others represent trading revenue from other phosphate chemicals.

## 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

**Compensation of key management personnel**

| | Group | |
|---|---|---|
| | **2015** **S$'000** | **2014** **S$'000** |
| Short-term employee benefits | 1,210 | 1,010 |
| Central Provident Fund contributions | 33 | 23 |
| | 1,243 | 1,033 |
| *Comprise amounts paid to:* | | |
| Directors of the Company | 699 | 669 |
| Other key management personnel | 544 | 364 |
| | 1,243 | 1,033 |

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's objective is to seek continued revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

### (a) Credit risk (cont'd)

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

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

Exposure to credit risk

The Group’s exposure to credit risk is monitored on an ongoing basis. The carrying amounts of loans and receivables and financial assets disclosed in Note 35 represent the Group’s maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group does not require collateral in respect of financial assets. In respect of the deferred interest receivable and cash interest receivable (Note 14), the Group is entitled to withhold up to S$1,500,000 of the amounts payable under the co-operation arrangement with Dashan for the year up to the interest payment date so long as the CLN are outstanding, and may apply such retained amounts against any indebtedness for interest due but unpaid by LYR. At 31 December 2014, the amount payable under the co-operation arrangement was S$1,700,000. At 31 December 2015, there were no outstanding deferred and cash interest receivable and no outstanding amount payable under the co-operation arrangement.

Credit risk concentration profile

Concentrations of credit risk are managed by customers. The Group has certain concentrations of credit risk as 82% and 98% of the Group’s trade receivables were due from 5 (2014: 5) of the Group’s customers at 31 December 2014 and 2015 respectively.

Financial assets that are neither past due nor impaired

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### (b) Liquidity risk (cont'd)

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

| Group | One year or less S$'000 | One to five years S$'000 | Over five years S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial assets** | | | | |
| Trade receivables | 4,422 | – | – | 4,422 |
| Other receivables | 481 | 28 | 269 | 778 |
| Cash and bank balances | 4,301 | – | – | 4,301 |
| Total undiscounted financial assets | 9,204 | 28 | 269 | 9,501 |
| **Financial liabilities** | | | | |
| Bank overdraft (secured) | (16) | – | – | (16) |
| Trade payables | (4,377) | – | – | (4,377) |
| Other payables excluding payroll and welfare payable | (6,499) | – | – | (6,499) |
| Redeemable preference shares | (8,050) | – | – | (8,050) |
| Total undiscounted financial liabilities | (18,942) | – | – | (18,942) |
| Total net undiscounted financial (liabilities)/assets | (9,738) | 28 | 269 | (9,441) |
| **2014** | | | | |
| **Financial assets** | | | | |
| Convertible loan note | 1,875 | 16,563 | – | 18,438 |
| Derivative asset | – | 13,326 | – | 13,326 |
| Trade receivables | 2,498 | – | – | 2,498 |
| Other receivables | 1,878 | 250 | 265 | 2,393 |
| Cash and bank balances | 4,838 | – | – | 4,838 |
| Total undiscounted financial assets | 11,089 | 30,139 | 265 | 41,493 |
| **Financial liabilities** | | | | |
| Bank overdraft (secured) | (447) | – | – | (447) |
| Trade payables | (4,403) | – | – | (4,403) |
| Other payables excluding payroll and welfare payable | (5,853) | (117) | – | (5,970) |
| Interest-bearing bank loan | (3,879) | – | – | (3,879) |
| Redeemable preference shares | (875) | (8,779) | – | (9,654) |
| Total undiscounted financial liabilities | (15,457) | (8,896) | – | (24,353) |
| Total net undiscounted financial (liabilities)/assets | (4,368) | 21,243 | 265 | 17,140 |

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### (b) Liquidity risk (cont'd)

| Company | One year or less S$'000 | One to five years S$'000 | Over five years S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial assets** | | | | |
| Other receivables | 40 | – | – | 40 |
| Amounts due from subsidiaries | 17,183 | – | – | 17,183 |
| Cash and bank balances | 1,018 | – | – | 1,018 |
| Total undiscounted financial assets | 18,241 | – | – | 18,241 |
| **Financial liabilities** | | | | |
| Bank overdraft (secured) | (16) | – | – | (16) |
| Other payables | (377) | – | – | (377) |
| Total undiscounted financial liabilities | (393) | – | – | (393) |
| Total net undiscounted financial assets | 17,848 | – | – | 17,848 |
| **2014** | | | | |
| **Financial assets** | | | | |
| Derivative asset | – | 13,326 | – | 13,326 |
| Other receivables | 58 | – | – | 58 |
| Amounts due from subsidiaries | 16,452 | – | – | 16,452 |
| Cash and bank balances | 2,121 | – | – | 2,121 |
| Total undiscounted financial assets | 18,631 | 13,326 | – | 31,957 |
| **Financial liabilities** | | | | |
| Bank overdraft (secured) | (447) | – | – | (447) |
| Other payables | (170) | – | – | (170) |
| Total undiscounted financial liabilities | (617) | – | – | (617) |
| Total net undiscounted financial assets | 18,014 | 13,326 | – | 31,340 |

### (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 currencies of the Group's entities, primarily SGD and RMB. For the financial year ended 31 December 2015, approximately 3% (2014: 4%) of the Group's sales were denominated in USD whilst almost 100% of operating costs were denominated in the respective functional currencies of the Group's entities (namely SGD and RMB). The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the risk is monitored on an ongoing basis.

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

The Group's exposure to the risk of changes in foreign exchange rates mainly arises from RMB denominated balances held by Singapore entities within the Group and SGD denominated balances held by a PRC subsidiary. At 31 December 2015, if RMB strengthened/weakened against Singapore Dollar by 5% (2014: 5%), the Group's net profit before tax would have decreased/increased by S$214,000 (2014: decreased/increased by S$209,000).

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### (c) Foreign currency risk

The Group is also exposed to currency translation risk arising from its net investment in PRC operations. The Group's net investment in PRC is not hedged as currency positions in RMB are considered to be long-term in nature. Such translation gains/losses are of unrealised nature and do not impact current year profits unless the underlying assets or liabilities of the PRC subsidiaries are disposed.

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

## 35. 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 S$'000 | Loans and receivables S$'000 | Financial liabilities at amortised cost S$'000 | Non-financial assets/ (liabilities) S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| **Assets** | | | | | |
| Mine properties | – | – | – | 72,329 | 72,329 |
| Land use rights | – | – | – | 4,845 | 4,845 |
| Property, plant and equipment | – | – | – | 39,856 | 39,856 |
| Intangible asset | – | – | – | 57 | 57 |
| Provisional goodwill | – | – | – | 8,271 | 8,271 |
| Stocks | – | – | – | 2,728 | 2,728 |
| Trade receivables | – | 4,422 | – | – | 4,422 |
| Other receivables | – | 778 | – | – | 778 |
| Prepayments | – | – | – | 1,650 | 1,650 |
| Cash and bank balances | – | 4,301 | – | – | 4,301 |
| | – | 9,501 | – | 129,736 | 139,237 |
| **Liabilities** | | | | | |
| Bank overdraft (secured) | – | – | (16) | – | (16) |
| Trade payables | – | – | (4,377) | – | (4,377) |
| Other payables | – | – | (6,436) | (412) | (6,848) |
| Advances from customers | – | – | – | (247) | (247) |
| Provision for taxation | – | – | – | (1,062) | (1,062) |
| Redeemable preference shares | (8,050) | – | – | – | (8,050) |
| Deferred tax liabilities | – | – | – | (19,506) | (19,506) |
| Deferred income | – | – | – | (2,407) | (2,407) |
| Provision for rehabilitation | – | – | – | (177) | (177) |
| | (8,050) | – | (10,829) | (23,811) | (42,690) |

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

*Classification of financial instruments (cont'd)*

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

*Classification of financial instruments (cont'd)*

| Company | Fair value through profit or loss S$'000 | Loans and receivables S$'000 | Financial liabilities at amortised cost S$'000 | Non-financial assets/ (liabilities) S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **2015** | | | | | |
| **Assets** | | | | | |
| Investment in subsidiaries | – | – | – | 59,022 | 59,022 |
| Other receivables | – | 143 | – | – | 143 |
| Prepayments | – | – | – | 40 | 40 |
| Amounts due from subsidiaries | – | 17,183 | – | – | 17,183 |
| Cash and bank balances | – | 1,018 | – | – | 1,018 |
| | – | 18,344 | – | 59,062 | 77,406 |
| **Liabilities** | | | | | |
| Bank overdraft (secured) | – | – | (16) | – | (16) |
| Other payables | – | – | (377) | – | (377) |
| | – | – | (393) | – | (393) |
| **2014** | | | | | |
| **Assets** | | | | | |
| Investment in subsidiaries | – | – | – | 33,545 | 33,545 |
| Derivative asset | 13,326 | – | – | – | 13,326 |
| Other receivables | – | 58 | – | – | 58 |
| Prepayments | – | – | – | 136 | 136 |
| Amounts due from subsidiaries | – | 16,452 | – | – | 16,452 |
| Cash and bank balances | – | 2,121 | – | – | 2,121 |
| | 13,326 | 18,631 | – | 33,681 | 65,638 |
| **Liabilities** | | | | | |
| Bank overdraft (secured) | – | – | (447) | – | (447) |
| Other payables | – | – | (170) | – | (170) |
| | – | – | (617) | – | (617) |

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 36. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Fair value hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liabilities.

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

### (b) Assets and liabilities measured at fair value

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

| Group | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial liabilities** | | | | |
| Fair value through profit or loss | | | | |
| Redeemable preference shares (Note 25) | – | – | (8,050) | (8,050) |
| **2014** | | | | |
| **Financial assets** | | | | |
| Fair value through profit or loss | | | | |
| Convertible loan note (Note 12) | – | – | 23,077 | 23,077 |
| Derivative asset (Note 12) | – | – | 13,326 | 13,326 |
| | – | – | 36,403 | 36,403 |
| **Financial liabilities** | | | | |
| Fair value through profit or loss | | | | |
| Redeemable preference shares (Note 25) | – | – | (8,200) | (8,200) |

There has been no transfer between Level 1, Level 2 and Level 3 for the Group for the years ended 31 December 2015 and 2014.

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### (c) Level 3 fair value measurements

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

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

| Description | Fair value S$'000 | Valuation techniques | Unobservable inputs | Range |
|---|---|---|---|---|
| **2015** | | | | |
| Redeemable preference shares | (8,050) | Discounted Cash Flow Method | Discount rate | 11% |
| **2014** | | | | |
| Convertible loan note | 23,077 | Binomial Model | Equity value of underlying asset | S$23,077,000 |
| Derivative asset | 13,326 | Binomial Model | Volatility | 40% |
| Redeemable preference shares | (8,200) | Discounted Cash Flow Method | Discount rate | 11% |

**(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)**

For redeemable preference shares, a significant increase/(decrease) in discount rate would result in a significant lower/(higher) fair value measurement. For 31 December 2014, an increase/(decrease) in the input by 5% would cause the fair value to decrease/(increase) by S$68,000/(S$70,000). For 31 December 2015, a significant increase/(decrease) in discount rate would not result in a significant lower/(higher) fair value measurement as the RPS were fully redeemed on 26 January 2016 (Note 40).

For convertible loan note, a significant increase/(decrease) in the expected equity value of underlying asset would result in a significantly higher/(lower) fair value measurement. For 31 December 2014, an increase/(decrease) in the input by 5% would cause the fair value to increase/(decrease) by S$1,154,000/(S$1,154,000).

For derivative asset, significant increase/(decrease) in volatility would result in a significant higher (lower) fair value measurement. For 31 December 2014, an increase/(decrease) in the input by 5% would cause the fair value to increase/(decrease) by S$96,000/(S$88,000).

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

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

### (c) Level 3 fair value measurements (cont'd)

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

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

| Group | Convertible loan note S$'000 | Derivative asset S$'000 | Redeemable preference shares S$'000 | Total S$'000 |
|---|---|---|---|---|
| At 1 January 2015 | 8,077 | 13,326 | (1,200) | 20,203 |
| Fair value gain recognised in profit or loss # | 4,200 | 500 | 150 | 4,850 |
| Transfer to investment in subsidiaries | (12,277) | (13,826) | – | (26,103) |
| At 31 December 2015 | – | – | (1,050) | (1,050) |
| | | | | |
| At 1 January 2014 | – | – | – | – |
| Fair value gain/(loss) recognised in profit or loss # | 8,077 | 13,326 | (1,200) | 20,203 |
| At 31 December 2014 | 8,077 | 13,326 | (1,200) | 20,203 |

# recognised in "other income" (Note 6).

#### (iii) Valuation policies and procedures

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

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

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

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

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

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

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 37. COMMITMENTS

### (a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 10, the Group has leased office premises under operating lease arrangements. 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 the end of the reporting period, the Group has total future minimum lease payments under non-cancellable operating leases (excluding land use rights) are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| Within one year | 112 | 112 |
| Between one to two years | 79 | 191 |
| | 191 | 303 |

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2015 amounted to S$112,000 (2014: S$162,000).

### (b) Capital commitments

The Group has the following capital commitments at the end of the reporting period but not recognised in the financial statements of the Group:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| Contracted but not provided for property, plant and equipment | – | 166 |

## 38. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives or processes during the years ended 31 December 2015 and 2014. During the year ended 31 December 2015, the Group redefined its capital management policy to keep the gearing ratio below 40% (2014: 25% to 40%).

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

# NOTES **TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 38. CAPITAL MANAGEMENT (CONT'D)

The Group's policy is to keep the gearing ratio below 40%.

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| Bank overdraft (secured) | 16 | 447 |
| Trade payables | 4,377 | 4,403 |
| Other payables | 6,848 | 6,321 |
| Advances from customers | 247 | 340 |
| Interest-bearing bank loan | – | 3,664 |
| Redeemable preference shares | 8,050 | 8,200 |
| Less: Cash and bank balances | (4,301) | (4,838) |
| Net debt | 15,237 | 18,537 |
| Total capital | 86,258 | 71,992 |
| Capital and net debt | 101,495 | 90,529 |
| Gearing ratio | 15.0% | 20.5% |

## 39. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **S$'000** | **S$'000** |
| **Proposed but not recognised as a liability as at 31 December:** | | |
| Dividends on ordinary shares, subject to shareholders' approval at the forthcoming annual general meeting | | |
| - Final exempt (one-tier) dividend for 2015: 0.01 cent per share (2014: Nil) | 901 | – |

## 40. EVENTS OCCURRING AFTER THE REPORTING PERIOD

*Renewal of mining licence*

On 7 January 2016, Mianzhu Norwest had received the approval for renewal of one of its mining licence from Sichuan Land Department (the "Authority"). The mining licence is valid until December 2016.

*Redemption of existing Redeemable Preferences Shares and issuance of new Redeemable Preferences Shares*

On 26 January 2016, the Group redeemed the existing 7,000,000 redeemable preference shares issued on 30 April 2014 in accordance with the terms of their issue by the Group's internal resources and issuance of 5,275,000 new redeemable preference shares. The new redeemable preference shares will mature in January 2021 and the investors shall be entitled to a fixed cumulative annual gross preference dividend of 8% per annum.

## 41. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 28 March 2016.

# SUBSTANTIAL **SHAREHOLDERS**

(As recorded in the Register of Substantial Shareholders as at 17 March 2016)

| Name of Substantial Shareholder | | No. of Shares (Direct interest) | %[1] | No. of Shares (Deemed interest) | %[1] |
|---|---|---|---|---|---|
| 1. | Astute Ventures Pte. Ltd. ("**Astute Ventures**")[5] [7] [8] [9] | - | - | 245,025,455 | 27.19 |
| 2. | FICA (Pte.) Ltd. ("**FICA**")[2] | 205,025,455 | 22.75 | - | - |
| 3. | Dr. Ong Hian Eng[2] [3] [4] | 7,115,384 | 0.79 | 215,233,492 | 23.88 |
| 4. | Ong Bee Kuan Melissa[4] [5] | 5,367,190 | 0.60 | 245,025,455 | 27.19 |
| 5. | Ong Eng Hock Simon[4] [5] | 2,919,306 | 0.32 | 245,025,455 | 27.19 |
| 6. | Ong Eng Siew Raymond[4] [5] [6] | 2,919,306 | 0.32 | 246,374,186 | 27.33 |
| 7. | Ong Kwee Eng[7] | 16,318,265 | 1.81 | 245,025,455 | 27.19 |
| 8 | Ng Siew Tin[8] | 6,717,959 | 0.75 | 245,025,455 | 27.19 |
| 9. | Luo Yong | 101,319,000 | 11.24 | - | - |

**Notes:**

(1) Based on the issued share capital of 901,319,000 ordinary shares of the Company as at 17 March 2016.

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

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

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

(5) Ong Eng Hock Simon, Ong Eng Siew Raymond and Ong Bee Kuan Melissa are siblings. As they are directors of, and are entitled to exercise not less than 20% of the votes attached to the voting shares in the share capital of, Astute Ventures, they are deemed to be interested in the 245,025,455 shares held by Astute Ventures.

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

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

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

(9) The shares of Astute Ventures are held by its nominee Raffles Nominees Pte. Ltd.

# STATISTICS OF SHAREHOLDINGS

As at 17 March 2016

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | S$69,596,469.00 |
| Number of ordinary shares in issue (excluding treasury shares) | : | 901,319,000 |
| Number of treasury shares held | : | Nil |
| Class of shares | : | Ordinary |
| Voting rights | : | One vote for each ordinary share held |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1-99 | 1 | 0.12 | 23 | 0.00 |
| 100-1,000 | 22 | 2.55 | 20,477 | 0.00 |
| 1,001-10,000 | 164 | 19.05 | 1,194,000 | 0.13 |
| 10,001-1,000,000 | 634 | 73.63 | 61,871,711 | 6.87 |
| 1,000,001 AND ABOVE | 40 | 4.65 | 838,232,789 | 93.00 |
| TOTAL | 861 | 100.00 | 901,319,000 | 100.00 |

## TWENTY LARGEST SHAREHOLDERS

| | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | RAFFLES NOMINEES PTE. LTD. | 260,676,267 | 28.92 |
| 2 | FICA (PTE) LTD | 205,025,455 | 22.75 |
| 3 | LUO YONG | 101,319,000 | 11.24 |
| 4 | WYY INVESTMENT HOLDINGS PTE LTD | 44,985,861 | 4.99 |
| 5 | ONG BEE PHENG (WANG MEIPING) | 29,408,037 | 3.26 |
| 6 | ONG ENG KEONG (WANG RONGKANG) | 29,408,037 | 3.26 |
| 7 | HWA HONG EDIBLE OIL INDUSTRIES PTE LTD | 24,452,384 | 2.71 |
| 8 | ONG KWEE ENG | 16,318,265 | 1.81 |
| 9 | UOB KAY HIAN PRIVATE LIMITED | 16,220,700 | 1.80 |
| 10 | OCBC SECURITIES PRIVATE LIMITED | 9,481,000 | 1.05 |
| 11 | KONG SOU HUI GRACE | 9,408,037 | 1.04 |
| 12 | KONG SOU YAN | 8,825,800 | 0.98 |
| 13 | ONG HIAN ENG | 7,115,384 | 0.79 |
| 14 | NG SIEW TIN | 6,717,959 | 0.75 |
| 15 | PHILLIP SECURITIES PTE LTD | 6,243,900 | 0.69 |
| 16 | ONG BEE KUAN MELISSA (WANG MEIJUAN MELISSA) | 5,367,190 | 0.60 |
| 17 | HENG PAUL STEPHEN | 3,736,000 | 0.41 |
| 18 | CHIA CHIN HAU | 3,687,366 | 0.41 |
| 19 | LEE SOO HIAN JAMES | 3,670,192 | 0.41 |
| 20 | DBS NOMINEES (PRIVATE) LIMITED | 3,605,000 | 0.40 |
| | TOTAL | 795,671,834 | 88.27 |

## PUBLIC FLOAT

Based on the information available to the Company as at 17 March 2016, approximately 23.63% of the issued ordinary shares of the Company is held by the public. Accordingly the Company has complied with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

# NOTICE OF ANNUAL GENERAL MEETING

**ASIAPHOS LIMITED**
(Company Registration No. 201200335G)
(Incorporated in The Republic of Singapore)

## 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 Friday, 29 April 2016 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 for the financial year ended 31 December 2015 together with the Independent Auditor's Report thereon.

**(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of 0.1 Singapore cents (S$0.001) per ordinary share for the financial year ended 31 December 2015.

**(Resolution 2)**

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

Mr Ong Eng Hock Simon **(Resolution 3)**
Mr Francis Lee Fook Wah **(Resolution 4)**

[See Explanatory Note (i)]

4. To re-appoint Mr Hong Pian Tee as a Director under Article 87 of the Constitution of the Company, who was previously re-appointed to hold office until this AGM of the Company pursuant to Section 153(6) of the Companies Act (Cap 50) of Singapore ("**Companies Act**"), which was in force immediately before 3 January 2016.

[See Explanatory Note (ii)] **(Resolution 5)**

*The profiles of the above mentioned Directors can be found under the sections entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report 2015.*

5. To approve the payment of Directors' fees of S$240,000 for the financial year ending 31 December 2016, payable quarterly in arrears. (2015: S$240,000)

**(Resolution 6)**

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

**(Resolution 7)**

7. 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:

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

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

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

# NOTICE **OF ANNUAL GENERAL MEETING**

(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 cent. (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be 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 shareholders of the Company shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of this Ordinary Resolution, after adjusting for:

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

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

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

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

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

# NOTICE OF ANNUAL GENERAL MEETING

9. **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 cent. (15%) of the total number of issued Shares (excluding treasury shares) on the day preceding the relevant date of the award.

[See Explanatory Note (iv)] **(Resolution 9)**

By Order of the Board

Kenneth Leong
Company Secretary
Singapore,
14 April 2016

**Explanatory Notes:**

(i) Mr Ong Eng Hock Simon, upon re-election as a Director, will remain as an Executive Director.

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

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

(iii) The Ordinary Resolution 8 in item 8 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 cent. (100%) of the total number of issued Shares (excluding treasury shares), of which up to fifty per cent. (50%) may be issued other than on a pro-rata basis to shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

# NOTICE **OF ANNUAL GENERAL MEETING**

(iv) The Ordinary Resolution 9 in item 9 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 cent. (15%) of the total number of issued Shares (excluding treasury shares) from time to time. This authority is in addition to the general authority to issue Shares sought under Ordinary Resolution 8 in item 8 above.

**Notes:**

1. (a) A member who is not a relevant intermediary, is entitled to appoint one (1) or two (2) proxies to attend and vote at the AGM of the Company. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

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

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

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

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

4. Personal data privacy:

   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company:

   (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 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**");

   (b) 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

   (c) 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.

# ASIAPHOS LIMITED

Company Registration No. 201200335G
(Incorporated In The Republic of Singapore)

# PROXY FORM

*(Please see notes overleaf before completing this Form)*

*I/We, ____________________________________________________________ (name)

of ____________________________________________________________ (address)

being a *member/members of AsiaPhos Limited (the "**Company**"), hereby appoint:

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

*and/or

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the 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 29 April 2016 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. | Resolutions relating to: | Number of Votes For(1) | Number of Votes Against(1) |
|---|---|---|---|
| 1 | Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015 | | |
| 2 | Payment of proposed final tax-exempt (one-tier) dividend of 0.1 Singapore cents (S$0.001) per ordinary share for the financial year ended 31 December 2015 | | |
| 3 | Re-election of Mr Ong Eng Hock Simon as a Director | | |
| 4 | Re-election of Mr Francis Lee Fook Wah as a Director | | |
| 5 | Re-appointment of Mr Hong Pian Tee as a Director | | |
| 6 | Approval of Directors' fees amounting to S$240,000 for the financial year ending 31 December 2016, payable quarterly in arrears | | |
| 7 | Re-appointment of Ernst & Young LLP as Independent Auditors of the Company | | |
| 8 | Authority to issue new Shares and/or Instruments | | |
| 9 | Authority to allot and issue Shares under the AsiaPhos Performance Share Plan | | |

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

Dated this _____ day of ______________ 2016

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

______________________________________

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

*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 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 proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. 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 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.

**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 Annual General Meeting dated 14 April 2016.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM of the Company, as certified by The Central Depository (Pte) Limited to the Company.

# CORPORATE **INFORMATION**

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

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

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

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

**COMPANY SECRETARY**
Leong Chee Meng, Kenneth

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

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Gongxing Town
Mianzhu City
Sichuan Province
People's Republic of China 618205
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**SPONSOR**
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

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

**Partner-in-charge**
Yong Kok Keong
Date of appointment: With effect from financial year ended 31 December 2015

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

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

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

China Bohai Bank
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