ASIAPHOS

ANNUAL REPORT 2018

CONTENTS

ABOUT US

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

As disclosed in recent public announcements, the Group is currently in discussion with the Chinese Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining site in respect of Mine 2 and the Fengtai mine and the non-renewal of the Mine 1 mining and exploration licenses.

Accordingly, the assets and directly associated liability of the mining assets were presented as assets of disposal group and liability directly associated with disposal group on the Group's consolidated balance sheet. Arising thereon, the results of the Group's upstream segment have been presented as discontinued operation on the Group's consolidated statement of comprehensive income.

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS

BUSINESS UPDATES

2017 and 2018 have been extremely challenging years for the Group as our mining operations in Mines 1 and 2, and the Feng Tai mine were interrupted following a directive from the Mianzhu City Government to vacate and rehabilitate Mine 2 and the Feng Tai mine, in addition to the stoppage of mining operations imposed by the People's Republic of China (PRC) government at Mine 1 and the non-renewal of the Mine 1 mining and exploration licenses. To safeguard our interest, an international law firm with extensive experience in international arbitration was appointed in 2018. The management continues to be in discussion with the PRC government, and negotiation has since escalated to the PRC government via Ministry of Commerce, *inter alia*, for the selection of an independent valuer and the terms of reference of such engagement.

Should the negotiations fail to result in an amicable resolution of the dispute, the Group reserves its rights to submit the dispute to international arbitration under the China-Singapore Bilateral Investment Treaty and the ASEAN-China Investment Agreement. The ongoing negotiations will not prejudice our right to commence international arbitration proceedings if no settlement is reached.

The P_4 plant which was shut down in June 2018 for maintenance could not resume production after maintenance was completed. Production of P_4 was affected by the lack of access to our phosphate rocks (a key raw material for cost efficient production of P_4), due to the wrongful action by the PRC government in relation to the Group's mining operations. To comply with the requirements of SFRS(I) 1-36 *Impairment of Assets*, the Group has recognised impairment loss on its P_4 plant. The carrying value of certain parts of the P_4 plant has been written down based on values estimated by independent valuers engaged by Bohai bank. Remaining parts of the P_4 plant including shared and peripheral assets were also written down as at 31 December 2018. Also, because of our intention to dispose of the land that is surplus to our requirements to unlock the value of the land, the carrying value of the STPP plant, which is located on the surplus land, has been written down to its estimated scrap value less cost of disposal. Peripheral and shared assets were fully written down as at 31 December 2018. Such impairment losses are non-cash in nature. Should the eventual recoverable amount of these assets be higher than the written down values, the impairment loss may be reversed in the income statement.

To rein in all expenses and mitigate its losses, the Group had to downsize its operations with a smaller staff strength.

FINANCIAL REVIEW

Revenue from continuing operations in FY2018 reduced 51% y-o-y, to S$21.5 million. Gross profit reduced by 87% y-o-y, to S$0.9 million in FY2018, largely due to weakened selling prices for P_4 in FY2018 and high costs of production owing to high cost of raw materials in the absence of supply of phosphate rocks from Mines 1 and 2, and electricity prices.

Selling and distribution expenses reduced by 48% y-o-y, to S$0.7 million, in line with the lower revenue. General and administration expenses increased by 15% y-o-y, to S$6.1 million, largely due to exceptional expenses like stocks adjustments, staff termination costs, as well as non-cash expenses like depreciation of the P_4 plant during the non-production period.

Loss from discontinued operation of S$0.8 million in FY2018 was mainly due to reduction in contribution from sales of phosphate rocks due to the stoppage of supply from Mines 1 and 2 and recognition of professional fees incurred in the ongoing discussions with PRC government. The Group also made a provision for doubtful debt receivable from a state-owned enterprise which failed to pay for the rocks that it purchased.

As a result of the above, the Group recorded a loss after tax of S$14.7 million in FY2018, as compared to a profit after tax of $0.2 million in FY2017.

In FY2018, proceeds from sales of its inventory of phosphate rocks and P_4 and trading of other phosphate chemicals were mostly used to repay a significant amount of trade and other payables, as well as a portion of a bank loan. Subsequently, bank loans from Bohai Bank and SPD Rural Bank were renewed on substantially similar terms as before. These loans are due in December 2019 and January 2020, respectively.

MOVING FORWARD

Trading of other phosphate chemicals will continue in 2019. We will continue to develop the export market for downstream phosphate chemicals and explore other opportunities to generate income.

While we will continue to monitor the market situation for P_4 in the PRC, we are also exploring with potential strategic partners the feasibility of the relocation of the P_4 plant outside the PRC.

The management will continue to explore ways to maximise shareholder value. We are currently in discussions for potential sale, lease or processing arrangements involving our downstream production facilities. We are also exploring potential cooperation in businesses other than phosphate chemicals by utilising land that is surplus to our current operating requirements. All such discussions are going on concurrently and we will evaluate each and every option diligently and earnestly.

IN APPRECIATION

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

We look forward to your continued support.

HONG PIAN TEE
Non-Executive Chairman

DR ONG HIAN ENG
CEO and Executive Director

FINANCIAL REVIEW

INCOME STATEMENT

	FY2018 S$'000	FY2017 S$'000	Change %
Continuing operations			
Revenue	21,528	44,085	(51)
Cost of sales	(20,653)	(37,275)	(45)
Gross profit	875	6,810	(87)
Other income	167	339	(51)
Selling and distribution costs	(698)	(1,331)	(48)
General and adminstrative costs	(6,051)	(5,270)	15
Finance costs	(524)	(582)	(10)
Other expense	(7,759)	–	100
Loss before tax, from continuing operations	(13,990)	(34)	41047
Taxation	84	(506)	N.M.
Loss from continuing operations, net of tax	(13,906)	(540)	2475
Discontinued operation			
(Loss)/profit from discontinued operation, net of tax	(809)	754	N.M.
(Loss)/profit for the period	**(14,715)**	**214**	N.M.

Revenue reduced by 51% to $21.5 million in FY2018, mainly due to reduction in revenue from P4. In FY2018, the Group sold 7,155 tonnes of P4 as compared to 15,450 tonnes in FY2017. The Group shut down its P4 plant for maintenance in June 2018 and did not resume production after the maintenance was completed. The Group sold and depleted its existing inventories of P_4.

Gross profit reduced by 87% to $0.9 million in FY2018, due to weakened selling prices for P4 in FY2018 and high costs of production owing to high cost of raw materials, in particular phosphate rocks, in the absence of supply from Mines 1 and 2, and electricity prices.

Selling and distribution costs reduced by 48% to $0.7 million in FY2018 in line with reduction in revenue.

General & administrative costs increased by 15% to $6.1 million in FY2018, mainly due to exceptional expenses like stocks adjustments, staff termination costs, as well as non-cash expenses like depreciation of P4 plant during the non-production period.

The above increases in general and adminstrative expenses was partially mitigated by exchange gain in FY2018. In addition, other general operating expenses were reined in as the Group downsized its operations with a smaller staff strength.

Other expense in FY2018 comprised impairment made on property, plant and equipment. The carrying value of the P4 plant has been written down based on values estimated by independent valuers engaged by Bohai bank. The carrying value of the STPP plant which is located on the surplus land which the Group intends to dispose, has been written down to its estimated recoverable value less cost of disposal. Peripheral and shared assets of the P4 and STPP plant were also written down.

Loss from discontinued operation in FY2018 was mainly due to reduction in contribution from sales of phosphate rocks. In FY2018, the Group sold 32,400 tonnes of phosphate rocks as compared to 126,700 tonnes in FY2017. In addition, there were also recognition of professional fees incurred in the ongoing discussions with Chinese government and provision for doubtful debt.

As a result of the above, the Group recorded a loss after tax of $14.7 million in FY2018, as compared to a profit after tax of $0.2 million in FY2017.

BALANCE SHEET

	Group As at 31 December 2018 S$'000	2017 S$'000	Change %
Non-current assets	**20,883**	**30,253**	**(31)**
mainly comprised of			
Land use rights	4,163	4,362	(5)
Property, plant and equipment	16,007	25,162	(36)
Current assets	**93,539**	**108,375**	(14)
mainly comprised of			
Stocks	441	12,135	(96)
Prepayments	517	2,174	(76)
Cash and bank balances	2,455	2,203	11
Assets of disposal group	89,795	90,110	(0)
Current liabilities	**10,067**	**18,543**	**(46)**
mainly comprised of			
Other payables	2,800	5,121	(45)
Interest-bearing bank loans	6,306	6,963	(9)
Liability of disposal group	795	815	(2)
Net current assets	**83,472**	**89,832**	**(7)**
Non-current liabilities	**19,277**	**19,419**	**(1)**
mainly comprised of			
Deferred tax liabilities	17,287	17,385	(1)
Deferred income	1,945	2,034	(4)
Net assets	**85,078**	**100,666**	**(15)**
Equity attributable to owners of the Company			
Share capital	78,283	78,283	–
Reserves	(2,668)	12,920	N.M.
	75,615	91,203	(17)
Non-controlling interest	9,463	9,463	–
Total equity	**85,078**	**100,666**	(15)

Reduction in non-current assets by 31% to $20.9 million as at 31.12.2018 mainly due to reduction in property, plant and equipment, arising from disposals, depreciation and provision of impairment losses in FY2018.

Reduction in current assets by 14% to $93.5 million as at 31.12.2018 mainly due to reduction in

- stocks as the Group sold its existing inventories of P4 and phosphate rocks in FY2018;
- trade receivables due to collections; and
- lesser prepayments made to suppliers as there was no P4 production.

The above were partially offset by increase in cash and bank balances mainly due to release of pledged fixed deposits.

Reduction in current liabilities by 46% to $10.1 million as at 31.12.2018 mainly due to payments made to trade and other payables, bank loans and corporate tax in PRC.

As a result of the above, net assets and equity attributable to owners of the Company reduced by 15% from $100.7 million as at 31.12.2017 to $85.1 million as at 31.12.2018.

CASH FLOW

	FY2018 S$'000	FY2017 S$'000
Operating cash flows before working capital changes	(3,245)	4,932
Cash flows generated from operations	1,539	700
Net cash flows generated from/(used in) operating activities	**307**	**(630)**
Net cash flows generated by/(used in) investing activities	**471**	**(2,744)**
Net cash flows generated from financing activities	**216**	**3,570**
Net increase in cash and bank balances	994	196
Cash and cash equivalents at beginning of year	1,182	1,012
Effects of exchange rate changes on cash and bank balances	(23)	(26)
Cash and cash equivalents at end of year	**2,153**	**1,182**

Cash inflow from operating activities in FY2018 mainly due to

- decrease in inventories as the Group sold its existing inventories, following the non-resumption of P4 production and cessation of mining activities; and
- decrease in receivables due to collections received.

The above cash inflows were partially offset by payments for interest expense and corporate tax during the year.

Overall, the Group recorded cash inflows from operating activities in FY2018.

Cash inflow from investing activities in FY2018 mainly due to proceeds from sale of financial asset held for trading.

Cash inflow from financing activities in FY2018 due to decrease in pledged deposits as the pledged fixed deposit was released during the year, partially offset by net repayment of bank loan of $0.5 million.

Accordingly, cash and cash equivalents increased by 82%, from $1.2 million as at 31.12.2017 to $2.2 million as at 31.12.2018.

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 26 April 2018. He is also a member of the Audit and Remuneration Committees.

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

His past directorships of public listed companies in Singapore include Golden Agri-Resources Ltd and Memstar Technology Ltd.

He is currently the Chairman of Pei Hwa Foundation Limited, and an Independent Director of Sinarmas Land Limited, Yanlord Land Group Limited, and XMH Holdings Ltd.

DR. ONG HIAN ENG
CEO and Executive Director, Non-Independent

Dr. Ong Hian Eng has been an Executive Director and the CEO of our Company since 3 January 2012. He is also a member of the Nominating Committee.

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 has been serving as a Director and Legal Representative of Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd. ("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 served as Executive Director of Hwa Hong Group and various of its subsidiaries from February 1981 to July 2012, when he was redesignated as a Non-Executive Director.

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

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

ONG ENG HOCK SIMON
Executive Director, Non-Independent

Mr Simon Ong has been an Executive Director since 1 October 2012. He was last re-elected on 29 April 2016. His responsibilities include overseeing the human resource and general administrative functions of our Group. He has been serving as a Director of Mianzhu Norwest since January 2010.

Mr Ong started his career as an audit assistant at KPMG Peat Marwick (now known as KPMG LLP) 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 at North East London Polytechnic (now known as University of East London) 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 Practising Accountant, Australia.

As Mr Simon Ong is subject to re-election at this Annual General Meeting, please refer to the section entitled "Additional Information on Directors Seeking Re-election" on pages 9 to 15 for further information on him.

FRANCIS LEE FOOK WAH
Independent Director, Chairman of Audit Committee

Mr Francis Lee was appointed a Director and the Chairman of the Audit Committee on 22 August 2013. He was last re-elected on 29 April 2016. He is also a member of the Remuneration and Nominating Committees.

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

He was Chief Financial Officer of OKH Global Ltd from October 2014 until December 2017.

BOARD OF DIRECTORS

Mr Lee is Chief Financial Officer of Vibrant Group Limited. He is also 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, and was formerly an independent director of JES International Holdings Limited and Metech International Limited.

Mr Lee graduated from the National University of Singapore with a Bachelor of Business Administration (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.

As Mr Francis Lee is subject to re-election at this Annual General Meeting, please refer to the section entitled "Additional Information on Directors Seeking Re-election" on pages 9 to 15 for further information on him.

GOH YEOW TIN

Independent Director
Chairman of Remuneration and Nominating Committees

Mr Goh Yeow Tin was appointed a Director and the Chairman of the Remuneration and Nominating Committees on 22 August 2013. He is also a member of the Audit Committee. He was last re-elected on 26 April 2017.

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

He is currently the Non-Executive Chairman of Seacare Foundation Pte Ltd and an Independent Director of Sheng Siong Group Limited, TLV Holdings Limited, Vicom Ltd and KTMG Limited (formerly known as Lereno Bio-Chem Ltd). His past directorships of public listed companies in Singapore include Singapore Post Limited and OEL (Holdings) Limited. He is also Non-Executive Director of WaterTech Pte Ltd, Seacare Manpower Pte Ltd and Edu-Community Pte Ltd.

Mr Goh holds a Bachelor of Mechanical Engineering (Honours) from the University of Singapore (now known as the National University of Singapore) and a Masters' Degree in Engineering and Management from the Asian Institute of Technology. In 2015, Mr Goh was awarded the Public Service Star (Bar) and was appointed a Justice of Peace by the President of the Republic of Singapore.

ONG ENG SIEW RAYMOND

Non-Executive Director, Non-Independent

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

He started his career in 1993 as a central banking officer at the Monetary Authority of Singapore and was appointed assistant director in its insurance commissioner's department (life division) from 1998 to 2000. Between 2000 and 2002, he was regional actuarial manager of Allianz Asia Pacific Pte. Ltd. Between 2002 and 2005, he was appointed product development actuary with Aviva Ltd in Singapore, before joining CIGNA International Corporation in 2005 as its regional actuarial director.

In 2006, he joined AXA Life Insurance Singapore Private Limited as its Chief Financial Officer and appointed actuary, and in 2007, he was seconded to serve as Chief Financial Officer and chief actuary of AXA-Minmetals Assurance Company Ltd (Shanghai) until 2009. Between 2009 and 2011, he served as chief actuary of Great Eastern Life Assurance (China) Co Ltd. Between 2011 and 2016, he was the Chief Financial Officer of Great Eastern Life Assurance (Malaysia) Berhad, and effective January 2017, he was appointed as the Group Chief Risk Officer of Great Eastern Life Assurance Co. Ltd.

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

ONG BEE PHENG

Non-Executive Director, Non-Independent

Ms Ong Bee Pheng was appointed a Director on 1 October 2012. She was last re-elected on 26 April 2018.

She started her career at Ernst & Young LLP, London as an audit and tax associate before serving as associate director in the markets and clearing house division of the Monetary Authority of Singapore. Since 2005, she has undertaken various appointments in the compliance departments of various institutions including Citibank N.A., Bank Julius Baer & Co., and Chinatrust Commercial Bank Co., Ltd.. She is currently a compliance officer in the Singapore office of Barclays Bank PLC.

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Ong Eng Hock Simon and Mr Francis Lee Fook Wah are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited, the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules, is as set out below:

	ONG ENG HOCK SIMON	**FRANCIS LEE FOOK WAH**
Date of Appointment	1 October 2012	22 August 2013
Date of last re-appointment (if applicable)	29 April 2016	29 April 2016
Age	54	53
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Ong as Executive Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Ong's qualifications, expertise, past experiences and overall contributions since he was appointed as a Director of the Company	The re-election of Mr Lee as Independent Director of the Company was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Lee's qualifications, expertise, past experiences and overall contributions since he was appointed as a Director of the Company
Whether appointment is executive, and if so, the area of responsibility	Executive, overseeing the human resource and general administrative functions of the Group	Not applicable
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Director	Independent Director Chairman of Audit Committee, Member of Nominating and Remuneration Committees

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	ONG ENG HOCK SIMON	FRANCIS LEE FOOK WAH
Professional qualifications	■ Diploma in Accounting at North East London Polytechnic (now known as University of East London) ■ Fellow of The Association of Chartered Certified Accountants ■ Non-Practising Member of the Institute of Singapore Chartered Accountants ■ Member of Certified Practicing Accountant, Australia	■ Bachelor of Accountancy from the National University of Singapore ■ Master of Business Administration (Investment and Finance) from the University of Hull ■ Chartered Accountant and Non-Practising Member of the Institute of Singapore Chartered Accountants ■ Member of the Singapore Institute of Directors
Working experience and occupation(s) during the past 10 years	2004 – July 2012 ■ Chief Financial Officer of Hwa Hong Corporation Limited October 2012 – Present ■ Executive Director of AsiaPhos Limited	2005 – 2011 ■ Executive Director, Finance Director and Chief Financial Officer of Man Wah Holdings Ltd October 2014 – December 2017 ■ Chief Financial Officer of OKH Global Ltd April 2019 – Present ■ Chief Financial Officer of Vibrant Group Limited
Shareholding interest in the listed issuer and its subsidiaries	Please refer to the “Directors’ Statement” section on page 45 of the Annual Report	
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Ong is: ■ Brother of Mr Raymond Ong, a Non-Executive Director ■ Brother of Ms Melissa Ong, Human Resource and Administration Manager ■ Nephew of Dr. Ong Hian Eng, Chief Executive Officer and Executive Director ■ Cousin of Ms Ong Bee Pheng, a Non-Executive Director	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rules720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	ONG ENG HOCK SIMON	FRANCIS LEE FOOK WAH
Other Principal Commitments Including Directorships# ** "Principal Commitments" has the same meaning as defined in the Code – "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments* *# These fields are not applicable for announcement of appointments pursuant to Rule 704(8)*	**Past (for the last 5 years)** Directorship ■ Norwest Chemicals Pte Ltd **Present** Directorship ■ Astute Investment Holdings Pte. Ltd. ■ Astute Ventures Pte Ltd ■ LY Resources Pte. Ltd. ■ AsiaPhos Resources Pte. Ltd. ■ XDL Resources Pte. Ltd. ■ Sichuan Mianzhu Norwest Phosphate Chemical Company Limited ■ Deyang City Xianrong Technical Consulting Co., Ltd.	**Past (for the last 5 years)** Directorship ■ JES International Holdings Limited ■ Metech International Limited Principal Commitment ■ Chief Financial Officer of OKH Global Ltd **Present** Directorship ■ Wise Alliance Investments Ltd. ■ Net Pacific Financial Holdings Limited ■ Sheng Siong Group Ltd. Principal Commitment ■ Chief Financial Officer of Vibrant Group Limited
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	ONG ENG HOCK SIMON	FRANCIS LEE FOOK WAH
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	ONG ENG HOCK SIMON	FRANCIS LEE FOOK WAH
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	ONG ENG HOCK SIMON	FRANCIS LEE FOOK WAH
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	Yes He was the manager of a corporation investigated by the CAD for a breach of regulatory requirements/laws governing corporations in Singapore. To the best of his knowledge and as far as he is aware, the investigations involved or were related to certain other directors of the corporation and not himself.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	ONG ENG HOCK SIMON	FRANCIS LEE FOOK WAH
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

MANAGEMENT TEAM

WANG XUEBO
General Manager of Mianzhu Norwest

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

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

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

JAIME CHIEW CHI LOONG
Chief Risk Officer/Head of Investor Relations

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

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

Mr Chiew holds an Accounting and Finance degree (Honours) from University of Southampton, UK.

He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

RACHEL GOH
Group Financial Controller

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

Ms Goh started her career at KPMG LLP 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.

CHIA CHIN HAU
Manager (Special Projects)

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

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

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

ADRIAN YEAM
Finance Manager of Mianzhu Norwest

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

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

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

Mr Yeam had tendered his resignation due to personal reasons.

CORPORATE SOCIAL RESPONSIBILITY

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

Environmental and safety
The Group is committed to protecting the natural environment of the vicinity where we conduct our operations.

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

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

We also conduct regular monitoring exercises to ensure that we comply with the environmental regulations in relation to our operations. We intend to continue to take progressive steps to further improve our PRC operations and facilities beyond the requirements of applicable PRC environmental laws, rules and regulations. For example instead of releasing the gas produced during P4 production into the environment, we collect and used the gas for our other downstream operations so as to reduce the impact on the environment (with the benefit of potentially lowering production costs for downstream chemicals).

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

In accordance with the local PRC regulations, we have completed the construction of 'six safety' monitoring systems ("井下安全避险六大系统") within the adits for our mines. These include improved communication channels within adits, position monitoring for each miner within adits, particles/smoke monitoring system, water supply within adits, a secured shelter for miners, in the event of emergency, within the vicinity of the adits and compressed air self-rescue devices. During recent years, we achieved Level 2 of the safety requirements. Level 2 of the safety requirements allows the Group to obtain mining safety permit from the local authority.

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

We have a safety and environmental team which implements and promotes applicable legal and internal safety regulations, including i) conducting periodic safety audits and ensuring safety requirements are met; ii) conducting in-house or outsourced safety training for all our employees as well as outsourced miners; iii) conducting investigations and handling all incident reports and implementing pre-emptive measures to prevent repeat occurrence of such incidents; iv) liaising with all external safety authorities and implementing new safety regulations and initiatives; v) reviewing and improving our safety management system; and vi) transporting, handling and storing of explosives in accordance with the applicable legal regulations.

CORPORATE SOCIAL RESPONSIBILITY

We invested substantial amount of the capital expenditure of our P4 plant in environmental and safety features, ensuring that we have control over monitoring every aspect of the entire production process. Fire drills are an important part of our fire safety procedures. During the year, we conducted fire drills for our P4 production line to test the effectiveness of the fire evacuation plan and to familiarise the staff with the necessary response measures. In addition, emergency evacuation drills for the entire factory are also conducted. In the event of an accident or natural disaster, we are able to activate emergency response measures and limit the potential damage.

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

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

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

The Group has standardised its form of employment, so as to ensure that the basic rights and interests of employees are protected, and to maintain good labour relations. We purchased all necessary insurance for the employees in accordance with the relevant labour laws. We ensure that our miners and our outsourced miners pass the relevant health checks, possess social and commercial insurance before they undertake any work at our mines.

The Group is committed to staff upgrading. Each year, the Group sends employees to attend training, courses and seminars relevant to their scope of work, including orientation training for new employees, training for middle and senior management, professional training on geological exploration and safety training.

Social
We strive to make a positive impact on the lives of people who live in the areas where we have a presence. We, as far as possible, employ local workers and provide these workers with relevant training and skills development.

The Group is committed to be in strict compliance with the laws, responding positively to government policies, paying taxes in due course, and helping to improve local employment, thus making significant contribution to the local fiscal revenue.

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

REPORT ON CORPORATE GOVERNANCE

The board ("**Board**") of directors (the "**Directors**") and the management (the "**Management**") of AsiaPhos Limited (the "**Company**") are committed to achieving and maintaining high standards of corporate governance within the Company and its subsidiaries (the "**Group**"), so as to ensure greater transparency, accountability, and maximisation of long-term shareholder value.

For the financial year ended 31 December 2018 ("**FY2018**"), the Board and the Management are pleased to confirm that the Company has, in all material aspects, adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"), pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**").

This report outlines the Company's corporate governance processes and structure, with specific reference to the principles and guidelines of the Code and the Guide. Where there is deviation from the Code or Guide, proper explanation is provided.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board oversees the corporate policy and overall strategy for the Group. The principal role and responsibilities of the Board include:–

– Providing entrepreneurial leadership, overseeing the overall strategic plans including considering sustainability, environmental and ethical issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group;

– Reviewing the operational and financial performance of the Group, including reviewing the performance of the Management;

– Approving quarterly financial results announcements, circulars and audited financial statements and annual report of the Company;

– Overseeing and safeguarding the shareholders' interest and Group's assets through a robust system of effective internal controls, risk management, financial reporting and compliance;

– Overseeing and enhancing corporate governance and practices within the Group;

REPORT ON CORPORATE GOVERNANCE

– Dealing with matters such as conflict of interest issues relating to Directors and substantial shareholders of the Company, the Group's annual budget, interested person transactions, major acquisitions and disposals of material assets, dividend and other distributions to shareholders, and those transactions or matters which require the Board's approval under the provisions of the Catalist Rules, from time to time, or any applicable regulations;

– Approving changes in the composition of the Board;

– Identifying key stakeholder groups and recognising that their perceptions affect the Company's reputation; and

– Appointing the senior management, approving the policies and guidelines for the Board and senior management executives' remuneration, in addition to approving the appointment of new Directors.

The Board has delegated specific responsibilities to three (3) Board committees, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"), (collectively, the "**Committees**") to support its role and responsibilities. The Committees operate within its own clearly defined terms of references (the "**Charter**") and operating procedures which are reviewed on a regular basis and improved as and when required to meet the changes in laws and other guidelines. All the Committees are chaired by Independent Directors. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. While the day-to-day management functions are performed by the Management, the Board is the highest authority of approval and ultimate responsibility for the final decision on all matters lies with the entire Board.

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

The Company adopts a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management. At each quarterly Board meeting, the Board will receive updates on business and strategic developments of the Group, industry developments and matters related to the Group. The Directors are free to discuss any information or views presented by any member of the Board and the Management.

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

REPORT ON CORPORATE GOVERNANCE

The attendance record of each Director at meetings of the Board and the Committees during FY2018 is disclosed below:

	Number of meetings attended in FY2018			
Name of Director	**Board**	**AC**	**NC**	**RC**
Hong Pian Tee	4	4	1[1]	1
Dr. Ong Hian Eng ("**Dr. Ong**")	4	4[1]	1	1[1]
Ong Eng Hock Simon ("**Simon Ong**")	4	4[1]	1[1]	1[1]
Francis Lee Fook Wah ("**Francis Lee**")	4	4	1	1
Goh Yeow Tin	4	4	1	1
Ong Eng Siew Raymond ("**Raymond Ong**")	4	4[1]	1[1]	1[1]
Ong Bee Pheng	4	4[1]	1[1]	1[1]
Number of meetings held in FY2018	**4**	**4**	**1**	**1**

Note:

(1) Attended as invitee.

Newly appointed Directors will be given briefings and orientation by the Executive Directors and the 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 FY2018.

Under Catalist Rule 406(3)(a), where the Company appoints a director with no prior experience as a director of a Singapore-listed company, the new appointee would be required to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors. Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Company encourages the Directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in new rules and regulations and industry-related matters, at the Company's expense.

In FY2018, the directors attended corporate governance briefings.

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.

REPORT ON CORPORATE GOVERNANCE

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

Director	Age	Board Membership	Date of Appointment as Director	Date of Last Re-Election as Director	AC	NC	RC
Hong Pian Tee	74	Chairman, Non-Executive and Independent	22 August 2013	26 April 2018	Member	–	Member
Dr. Ong (1) (2) (3)	71	Executive, Chief Executive Officer ("**CEO**")	3 January 2012	Not applicable	–	Member	–
Simon Ong (1) (2) (3) (4)	54	Executive	1 October 2012	29 April 2016	–	–	–
Raymond Ong (1) (2) (3)	52	Non-Executive and Non-Independent	1 October 2012	26 April 2017	–	–	–
Ong Bee Pheng (1) (2) (3)	43	Non-Executive and Non-Independent	1 October 2012	26 April 2018	–	–	–
Francis Lee (5)	53	Non-Executive and Independent	22 August 2013	29 April 2016	Chairman	Member	Member
Goh Yeow Tin	68	Non-Executive and Independent	22 August 2013	26 April 2017	Member	Chairman	Chairman

Notes:

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

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

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

(4) Mr Simon Ong will retire pursuant to Article 88 of the Constitution of the Company and is subject to re-election as a Director at the forthcoming Annual General Meeting ("**AGM**") of the Company to be held on 30 April 2019.

(5) Mr Francis Lee 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 30 April 2019.

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

The Board has sought and obtained written confirmation from each of the Independent Directors that, apart from their office as Directors, none of them has any other relationship (business or otherwise) with the Company, its subsidiaries, related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent and objective judgment with a view to the best interests of the Company.

REPORT ON CORPORATE GOVERNANCE

The NC has assessed the independence of each Independent Director and considered that Mr Hong Pian Tee, Mr Francis Lee and Mr Goh Yeow Tin to be independent under the Code as well as the Catalist Rules.

Each member of the NC has abstained from deliberations in respect of the assessment of his own independence. During FY2018, none of the Independent Directors have served beyond nine (9) years from their respective date of first appointment.

The Board has reviewed the size and composition of the Board and is of the opinion that its current size and composition is appropriate for effective decision making, after taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of chemical engineering, business and management, accounting and finance, actuarial and compliance. Each Director has been appointed on the strength of his/her skills, knowledge and experience and is expected to contribute to the development of the Group's strategy and the performance of its business. The Board includes one (1) female Director in recognition of the importance and value of gender diversity.

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

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

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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

REPORT ON CORPORATE GOVERNANCE

The Chairman

- provides overall leadership to the Board, and with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the CEO and fellow Directors and other executives, and if warranted, with professional advisors, and ensures adequate time allocated to discuss the items;

- assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings and ensures effective communication with shareholders. He ensures that the directors receive complete, adequate and timely information and facilitate the effective contribution from other Board members;

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

- provides clear oversight, advice and guidance to the Management on strategies and business operations.

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

Board Membership

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

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

- Mr Goh Yeow Tin (Chairman, Non-Executive and Independent Director)

- Mr Francis Lee (Member, Non-Executive and Independent Director)

- Dr. Ong (Member, CEO and Executive Director)

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the chairman of the NC. During FY2018, the NC held one (1) scheduled meeting, which all members attended.

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

- Reviewing board succession plans for Directors, in particular, the Non-Executive Chairman and the CEO and Executive Director;

- Developing a process for evaluation of the performance of the Board, the Board Committees and Directors;

REPORT ON CORPORATE GOVERNANCE

- Reviewing the training and professional development programs for the Board;

- Reviewing and sighting of all resignation and authorisation letters of the Legal Representatives of Sichuan Mianzhu Norwest Phosphate Chemical Company Limited ("**Mianzhu Norwest**") and the Group's other subsidiaries in the Peoples' Republic of China (the "**PRC**") which have been signed and held in custody by the Company Secretary;

- Appointing and re-appointing Directors (including alternate Directors, if applicable);

- Determining annually, and as and when circumstances require, whether or not a Director is independent, bearing in mind the salient factors set out in the Code and the Catalist Rules;

- Where a Director has multiple board representations on various companies, determining if the Director is able to and has been adequately carrying out his/her duties as a director of the Company, having regard to the Director's number of listed company board representations and other principal commitments;

- Reviewing and approving any new employment of related persons and the proposed terms of their employment;

- Deciding how the Board's performance is to be evaluated and proposing objective performance criteria, which allow for comparison with industry peers, and should be approved by the Board and address how the Board has enhanced long-term shareholder value;

- Assessing the effectiveness of the Board as a whole and its committees and assessing the contribution by the Chairman of the Board and each individual Director to the effectiveness of the Board and implementing performance evaluation established and approved by the Board;

- Implementing a process for assessing the effectiveness of the Board as a whole and its Committees and assessing the contribution by the Chairman of the Board and each individual Director to the effectiveness of the Board;

- Assessing whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties);

- Reviewing and making recommendations on all nominations of Directors (including the Independent Directors) for re-appointment and re-election having regard to the Director's past contributions and performance;

- Establishing the criteria and desirable attributes of new appointees to the Board and to make recommendations to the Board on all Board appointments including Committee appointments; and

- Engaging external search consultants to search for new Directors, if necessary.

REPORT ON CORPORATE GOVERNANCE

The NC generally avoids recommending the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency.

a) Where an individual is to be appointed as alternate Director to an Independent Director, NC reviews and concludes that the individual would similarly qualify as an Independent Director, before his appointment as an alternate Director; and

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

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

Under the Catalist Rules, with effect from 1 January 2019, all directors of a company listed on the SGX-ST must submit themselves for re-nomination and re-appointment at least once every three years. Hence, with effect from 1 January 2019, the Managing Director (in the case of the Company, the CEO) shall be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors of the Company.

The retiring Directors submit themselves for re-nomination and re-election. Accordingly, Mr Simon Ong and Mr Francis Lee are the two (2) Directors retiring via rotation at the forthcoming AGM. Both Directors are eligible and had consented for re-election. The NC, having considered their performance and contribution, has recommended these two (2) retiring Directors for re-election at the forthcoming AGM. Subject to being duly re-elected at the forthcoming AGM, Mr Simon Ong will remain as an Executive Director of the Company and Mr Francis Lee will remain as a Non-Executive and Independent Director, the Chairman of the AC and a member of the NC and 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 candour), if applicable, as an Independent Director. The search for a suitable candidate could be drawn from contacts and network of existing Directors or external recommendations. The NC may also engage external search consultants to search for new Directors at the Company's expense. New Directors are appointed by way of a board resolution after the NC recommends the appointment for approval of the Board. All newly appointed Directors who are appointed by the Board are required to retire and subject to election by shareholders at an AGM at the first opportunity after their appointment.

REPORT ON CORPORATE GOVERNANCE

The NC considered, and is of the opinion, that the multiple board representations held by Directors of the Company do not impede their performance in carrying out their duties to the Company. For FY2018, the Board did not set any cap on the number of directorships given that all Non-Executive or Independent Directors were able to dedicate their time to the business of the Company. The NC believes that each individual Director is best placed to determine and ensure that he/she is able to devote sufficient time and attention to discharge his/her duties and responsibilities as a Director, bearing in mind his/her other commitments. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future.

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

(a) Pages 7 to 8 – Academic and professional qualifications, date of first appointment as Director, date of last re-election as Director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) Page 45 – Interests in shares and warrants, if any, in the Company and its subsidiaries.

Information on Mr Simon Ong and Mr Francis Lee, being the Directors who have been nominated for re-election, required under Appendix 7F of the Catalist Rules are set out on pages 9 to 15 of this Annual Report.

Board Performance

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

The NC is responsible for assessing the effectiveness of the Board as a whole and its Committees and for assessing the contribution of each individual Director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The criteria for evaluation of the performance of individual Directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, Director's attendance at meetings and his contribution and performance at such meetings. The performance evaluation includes preparedness, intensity of participation and candour at meetings and the Director's accessibility to Management for guidance or exchange of views outside the formal environment of the meetings. The NC and the Board strive to ensure that each Director, with his/her contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. Contributions by a Director can also take other forms, including providing objective perspective on issues, facilitating business opportunities and strategic relationships.

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

REPORT ON CORPORATE GOVERNANCE

The NC had, at a meeting held in March 2019, assessed the performance of the Board and its Committees. The Board and its Committee assessments utilise a confidential questionnaire, covering areas such as Board's composition, Board's processes in managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective Committees. The assessment of the individual Directors is based on attendance and contributions during scheduled and ad-hoc Board and Committee meetings, as well as commitment to their role as Directors. In assessing the contributions of each Director, the NC also takes into consideration the in-depth knowledge and insights shared by each Director during discussions and meetings, in their respective areas of expertise in the fields of chemical engineering, business and management, accounting and finance, actuarial and compliance.

The NC, in consultation with the Chairman, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and its Committees have operated effectively and each Director has contributed to the overall effectiveness of the Board in FY2018. 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.

The Management, as well as 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 insights into the matters at hand would be invited to the Board meetings.

Significant matters or transactions are notified by Management to the Board as and when they occur. Prior to any meetings of the Board or Committees, Directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Company and the Group.

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

The Directors also have separate and independent access to the Company Secretary who attends all Board and Committees' meetings. The role of the Company Secretary is defined and includes responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between Management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The appointment and removal of the Company Secretary is subjected to the approval of the Board as a whole.

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Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises entirely of non-executive directors, all of whom are independent. The composition of the RC is as follows:

– Mr Goh Yeow Tin (Chairman, Non-Executive and Independent Director)

– Mr Hong Pian Tee (Member, Non-Executive Chairman and Independent Director)

– Mr Francis Lee (Member, Non-Executive and Independent Director)

During FY2018, there was one (1) RC meeting held which all members attended.

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

– Reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel of the Company and reviewing and recommending to the Board specific remuneration packages for each Director and key management personnel. The level and structure of remuneration packages shall be aligned with the long-term interest and risk policies of the Company, and shall be appropriate to attract, retain and motivate (i) the Directors to provide good stewardship of the Company; and (ii) the key management personnel to successfully manage the Company;

– Submitting recommendations of remuneration for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind, are covered by the RC;

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

– Determining the contents of any service contracts for any Executive Director or key management personnel, and to consider what compensation commitments the Executive Directors' or key management personnel's contracts of service, if any, would entail in the event of termination to ensure that such service contracts contain fair and reasonable termination clauses, with a view to be fair and avoid rewarding poor performance;

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– Administering and approving any long-term incentive schemes (including share schemes as may be implemented) which may be approved by shareholders and to consider whether Executive Directors or key management personnel should be eligible for benefits under such long-term incentive schemes; and

– Considering the implementation of schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders.

No member of the RC is involved in setting his own remuneration package. As and when deemed appropriate by the RC, independent expert advice is, or will be, sought at the Company's expense. The Board has not engaged any external remuneration consultant to assist in the review of compensation and remuneration for FY2018.

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

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Non-Executive Directors receive directors' fees after taking into consideration the performance of the Group and individual assessment of each Non-Executive Director, the level of contribution to the Company and Board, taking into account various factors including, but not limited to, efforts and time spent, responsibilities and duties of the Directors.

The RC recommends to the Board the quantum of Directors' fees and the Board in turn endorses the recommendation for shareholders' approval at each AGM. To facilitate timely payment of Directors' fees, the Company has recommended for the Directors' fees to be paid, in arrears, on a quarterly basis.

For the Executive Directors and a key executive, each of their service agreements and/or compensation packages is reviewed by the RC. The service agreements are for an initial period of three (3) years (unless terminated by (i) either party giving not less than six (6) months' notice in writing to the other; or (ii) the Company paying salary in lieu of the period of time) with effect from the date of admission of the Company to Catalist on 7 October 2013. Upon expiry of the initial three (3) years, unless either party notifies the other in writing at least six (6) months prior to the last day of the existing period, the service agreements for the Executive Directors and a key executive shall automatically be renewed for a further period of three (3) years on the same terms and conditions.

These service agreements cover the terms of employment and the salaries and bonuses of the Executive Directors and the key executive. The Company may terminate a service agreement if, *inter alia*, the relevant Executive Director or key executive is guilty of dishonesty or serious or persistent misconduct, becomes bankrupt or otherwise acts to the Company's prejudice. Directors' fees do not form part of the terms of these service agreements of the Executive Directors. There is no termination, retirement or post-employment benefits that may be granted to the Executive Directors and key executive.

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

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

The Group considers profits to be the main condition for the determination of payment of incentives to the 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 FY2018, the Group incurred losses before tax (from continuing and discontinued operations) of approximately S$14.8 million. Accordingly, no incentive bonus was accrued to the Executive Directors and the key executive.

The RC will ensure that the Independent Directors are not overcompensated to the extent that their independence may be compromised. To encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders, they are able to participate in the AsiaPhos Performance Share Plan.

During FY2018, 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.

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The breakdown (rounded to nearest thousands of dollar) of the remuneration of Directors for FY2018 is set out below:

	Salary and allowance (S$'000)	Annual Wage Supplement (S$'000)	Directors' fees (S$'000)	Total (S$'000)
Hong Pian Tee	–	–	60	60
Dr. Ong [(1)]	144	13	–	157
Simon Ong [(1) (2)]	266	14	–	280
Francis Lee	–	–	60	60
Goh Yeow Tin	–	–	60	60
Raymond Ong [(1) (2)]	–	–	30	30
Ong Bee Pheng [(1) (2)]	–	–	30	30

Notes:

(1) Our CEO and Executive Director, Dr. Ong is the father of our Non-Executive Director, Ms Ong Bee Pheng and the uncle of our Executive Director, Mr Simon Ong, Non-Executive Director, Mr Raymond Ong and the Group's Human Resource and Administrative manager, Ms Ong Bee Kuan Melissa.

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

The breakdown (in percentage terms) of the remuneration of five (5) top key executives of the Group (who are not Directors or CEO) for FY2018 is set out below:

Below S$250,000	Designation, Name of Entity	Salary and allowance (%)	Annual Wage Supplement (%)	Total (%)
Wang Xuebo	General Manager, Mianzhu Norwest	96.0	4.0	100.0
Jaime Chiew Chi Loong[(1)]	Chief Risk Officer, Company	92.9	7.1	100.0
Wu LiPing	Deputy General Manager, Mianzhu Norwest	100.0	–	100.0
Chia Chin Hau	Manager, Special Projects, Company	91.4	8.6	100.0
Rachel Goh	Group Financial Controller, Company	91.5	8.5	100.0

Note:

(1) Our Chief Risk Officer, Mr Jaime Chiew Chi Loong, is the spouse of our Non-Executive Director, Ms Ong Bee Pheng and son-in-law of our CEO and Executive Director, Dr. Ong. Mr Jaime Chiew Chi Loong's annual remuneration for FY2018 was between S$150,000 and S$200,000.

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

In aggregate, the total remuneration paid to the five (5) top key executives was S$777,000 in FY2018.

No termination, retirement and post-employment benefits were granted to Directors, CEO and top five key management personnel (who are not directors or the CEO) of the Group in FY2018.

For FY2018, the salary of Ms Ong Bee Kuan Melissa, the Group's Human Resource and Administrative manager, a substantial shareholder of the Company, niece of Dr. Ong, sister of Mr Simon Ong and Mr Raymond Ong and cousin of Ms Ong Bee Pheng, was between S$50,000 and S$100,000.

Save as disclosed, there was no family relationship between any of our Directors and/or key executives, or between any of our Directors and key executives and there was also no employee who is an immediate family member of a Director or CEO, and whose remuneration exceeded S$50,000 during FY2018.

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' Statement on pages 46 to 48 of this Annual Report.

To motivate Executive Directors and key management, the awards granted under the Share Plan will primarily be performance-based, incorporating an element of stretched targets for senior executives and considerably stretched targets for key senior management, aimed at delivering long-term shareholder value. Examples of performance targets to be set include targets based on criteria such as medium- and long-term corporate objectives of the Group and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth.

The performance targets could be based on criteria such as sales growth, growth in earnings and return on investment. Additionally, *inter alia*, the participant's length of service with the Company, achievement of past performance targets, extent of value-adding to the Company's performance and development and overall enhancement to shareholder value will be taken into account.

The Share Plan is administered by the RC and no awards have been granted to any participant under the Share Plan since adoption and during FY2018.

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(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). The Management provides the Non-Executive Directors with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates on a quarterly basis, and as and when the Board may require from time to time. Due to the size of the Group's operations, internal financial statements are provided to the Directors on quarterly basis. However, Directors are provided with timely updates by the Executive Directors for any material transactions or matters that may need their immediate attention. The Non-Executive Directors are welcome to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management.

The AC reports to the Board on the financial performance for review and approval. The Board reviews and approves the financial results as well as any announcements before its release. Price sensitive information will be publicly released before the Company meets with any group of shareholders, investors or research analysts. Financial results and annual reports are announced and issued within the statutory prescribed periods. Where possible, the Company holds quarterly briefings on its results announcements one (1) business day after the results announcement. The Company also uploads latest announcement(s) which has been disseminated via SGXNET and onto its website at http://www.asiaphos.com.

Through the advice rendered by the professionals and the Sponsor, the Board has, from time to time, taken adequate steps to comply with all relevant requirements of the Catalist Rules. Given legislation changes from time to time, there are no written policies other than relying on the advices of the professionals to update the Board.

Risk Management and Internal Controls

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

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of material capital expenditure and investments.

The AC, on behalf of the Board, reviews the Group's system of internal controls, including financial, operational, compliance, information technology controls and risk management policies and systems established by the Management annually. This ensures that such system is sound, adequate and effective to provide reasonable assurance in safeguarding shareholders' interests and the Group's assets. The Group currently does not have a formal risk management committee but the Management regularly reviews the Group's business and operations to identify areas of significant business risks and set out appropriate mitigating actions and monitoring mechanisms to respond to these risks. The Management will highlight all significant matters to the AC and Board. The Board is ultimately responsible for the governance of risk and exercises oversight in risk management strategy and framework. The Risk Statement can be found on pages 42 to 43 of this Annual Report.

The Group's financial risk management objectives and policies are discussed further in note 36 to the financial statements. For FY2018, the Board has also received assurance from the CEO and the Executive Director overseeing the finance function, that (i) having regard to and taking into consideration the matters disclosed in the financial statements, in particular Note 2, 4.1(a), 4.2(b), 4.2(c), 9 and 12, 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 adequate and effective. Both the Board and the AC did not identify any material weaknesses in the Group's internal controls in FY2018.

Based on the internal controls established and maintained by the Group, the statutory audit conducted by the external auditors, and reviews performed by the Management and various Committees, including the AC, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance, information technology controls, risk management systems or significant business risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2018.

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 and independent directors. The members of the AC are:

– Mr Francis Lee (Chairman, Independent Director)

– Mr Hong Pian Tee (Member, Non-Executive Chairman and Independent Director)

– Mr Goh Yeow Tin (Member, Independent Director)

The AC meets at least four (4) times a year. Additional meetings are scheduled if considered necessary by the chairman of the AC. During FY2018, the AC held four (4) scheduled meetings, which all members attended.

REPORT ON CORPORATE GOVERNANCE

The duties and functions of the AC include the following:

– Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors annually;

– Reviewing the significant financial reporting issues and judgments with the Management and external auditors so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance before the submission of the same to the Board;

– Reviewing and reporting to the Board annually the effectiveness and adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems established by the Management. Such reviews may be carried out internally or with the assistance of any competent third parties;

– Reviewing the adequacy and effectiveness of the Group's internal audit;

– Reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, and the Management's response;

– Meeting with external and internal auditors, in each case without the presence of the Management, at least annually and reviewing the co-operation given by the Management to external and internal auditors;

– Reviewing and approving interested person transactions and reviewing procedures thereof;

– Reviewing potential conflicts of interests (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests; and

– Nominating persons as internal and external auditors (notwithstanding anything contained in the Company's Constitution or under section 205 of the Companies Act), reviewing their appointment or re-appointment as well as matters relating to their remuneration, resignation or dismissal or terms of engagement.

The AC has explicit authority to investigate any matter within its Charter. It has full access to the 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 during FY2018 without the presence of the Management to discuss any matters arising from the financial reporting process and systems of internal controls. The external auditors were also invited to be present at all AC meetings held during the year to, *inter alia*, answer or clarify any matter on accounting and auditing or internal controls.

REPORT ON CORPORATE GOVERNANCE

During FY2018, the AC reviewed the planned audit procedures and the potential key audit areas as presented by the external auditors, Ernst & Young LLP ("EY"). During the course of review of the financial statements for the FY2018, the AC discussed with Management and the external auditor on the significant issues that were brought to the AC's attention. These material issues which EY assessed to be the most significant in its audit of the financial statements for the year under review are, namely, assets and liability of disposal group and discontinued operation, impairment of investments in subsidiaries and amounts due from subsidiaries, recoverable amount of property, plant and equipment and going concern assumption.

The AC reviewed the work performed by the Management and made enquiries relevant to the key audit focus areas. In addition, the AC also reviewed and discussed the findings presented and related work performed by the EY. The AC was satisfied that these material issues have been properly addressed and appropriately adopted and disclosed in the financial statements. The AC recommended to the Board to approve the financial statements.

During FY2018, the Group paid S$26,000 to EY and its member firms for tax returns compliance services. The AC is of the opinion that the non-audit services provided by EY during FY2018 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 FY2018 are as follows:

Service Category Fees	**EY entities in Singapore S$'000**	**Overseas EY entities S$'000**
Audit Services	144	86
Non-Audit Services	26	–
Total	170	86

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. No member of the AC is a former partner or director of EY.

REPORT ON CORPORATE GOVERNANCE

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to report directly either to their supervisor or the chairman of the AC in writing or telephone or meet in confidence at a location to be determined together. The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility. No whistle-blowing reports were received in FY2018.

For FY2018, 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 have been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. In addition, two (2) of the members of the AC have relevant accounting and related financial management expertise, experience and knowledge and the Chairman of the AC is a Chartered Accountant and non-practising member of the Institute of Singapore Chartered Accountants.

In FY2018, the AC was provided with information on accounting and regulatory updates, including the Singapore Financial Reporting Standards (International), Catalist Rules, Companies Act as well as other updates issued by the SGX-ST and the Monetary Authority of Singapore, where applicable.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC relies on reports from the Management and external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto. For FY2018, the AC and the Board 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 (International); and

– The design, implementation, operation and effectiveness of accounting and internal control systems that are designed to prevent and detect fraud and errors.

The Group 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 the Management where co-ordinating, managing and implementing internal audit work cycle are concerned. The work undertaken by the IA, are carried out in accordance to the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA will report their audit findings and recommendations directly to the AC. The internal audit plan, findings and recommendations drawn up by the IA are reviewed and approved by the AC.

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The AC reviews annually the adequacy and effectiveness of the internal audit function. In FY2018, due to exceptional circumstances as announced by the Company on SGXNET, Mianzhu Norwest did not carry out any production in the second half of FY2018. Additionally, the Group had almost sold its entire inventory of phosphate rocks and P_4 in the second half of FY2018. Due to the Group's substantially reduced scale of operations in FY2018, the AC and the Board did not deem it efficient and effective for the IA to carry out onsite fieldwork in FY2018.

In view of the above, the AC did not meet with the IA without the presence of the management in FY2018. As such, Catalist Rule 1204(10C), which requires an audit committee to comment on whether the internal audit function is independent, effective and adequately resourced, would not be applicable to the Company for FY2018.

(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, Singapore Financial Reporting Standards (International) and the Catalist Rules; and

– SGXNET and press releases on major developments of the Group.

Annual reports, SGXNET disclosures and press releases of the Group are also available on the Company's website at http://www.asiaphos.com. Where possible, the Company holds quarterly briefings on its results announcements after the results announcement are published via SGXNET. The Company, from time to time, participates in investors' seminars and briefings organised by external organizations. The Company publishes the presentation slides used during the seminars and briefings on SGXNET and on its website at http://www.asiaphos.com. Enquiries from shareholders, analysts and the press are handled specifically by designated members of senior Management in lieu of a dedicated investor relations team.

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

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At the forthcoming AGM, shareholders will be given the opportunity to air their views and to ask the Directors and the Management questions regarding the Group and its business. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders. The Company Secretary will prepare the minutes of the AGM which would include substantial or relevant comments from shareholders and responses of the Board and the Management, and the minutes of the AGM will be made available to shareholders upon their request.

Pursuant to Catalist Rule 730A(2), all resolutions will be put to vote by way of a poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET and posted on the Company's website at http://www.asiaphos.com after the conclusion of the general meeting. The voting procedures are also explained to all the shareholders during the general meetings. All resolutions are separate unless they are interdependent and linked, and the reasons and material implications are explained. 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.

Shareholders can vote in person or appoint not more than two (2) proxies to attend, speak and vote on their behalf at general meetings of shareholders, with the exception that shareholders such as nominee companies, which provide custodial services for securities, are able to appoint more than two (2) proxies to attend, speak and vote at general meetings notwithstanding the Company's Constitution which does not differentiate between the number of proxies which may be appointed by shareholders and by nominee companies.

The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Group is subject to many factors, including but not limited to, the Group's results of operations, cash flows and financial position, the Group's expansion and working capital requirements and the Group's future growth and prospects. There was no dividend recommended in respect of FY2018 as the Group was not in financial position to declare dividends.

(E) DEALINGS IN SECURITIES

The Group has adopted an internal code on dealings in securities, which is in compliance with Catalist Rule 1204(19) 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 of Singapore, Chapter 289.

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.

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Each of the above periods will end on the date of the announcement of the relevant results of the Company.

Directors are required to report to the Company Secretary whenever they deal in the Company's shares. Thereafter, the Company Secretary updates the Register of Directors' Shareholdings and make the necessary announcements on SGXNET.

(F) INTERESTED PERSON TRANSACTIONS

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

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

Other than the above, there were no other IPTs in FY2018.

The Company did not obtain any general mandate from shareholders for IPTs for FY2018.

(G) MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors as set out in this report, there were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, any Director or controlling shareholder of the Company either still subsisting as at the end of FY2018 or if not subsisting, was entered into since the end of the previous financial year.

(H) NON-SPONSOR FEES

No fees relating to non-sponsorship activities or services were paid to the Company's sponsor, Asian Corporate Advisors Pte. Ltd. ("**Sponsor**") during FY2018.

(I) SUSTAINABILITY REPORT

The Company is working towards the issuance of its sustainability report by 31 May 2019 and such report will be made available to Shareholders on SGXNET and the Company's website at http://www.asiaphos.com.

RISK STATEMENT

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

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

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

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

The Group has outsourced its internal audit function to a big 4 accounting firm (the "IA"). The work undertaken by the IA is carried out in accordance with internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The work undertaken by the IA includes auditing of the Group's system of internal financial, operational and compliance controls over its key operations. The IA will report their audit findings and recommendations directly to the AC.

In FY2018, due to exceptional circumstances as announced by the Company on SGXNET, Mianzhu Norwest did not carry out any production in the second half of FY2018. Additionally, the Group had almost sold its entire inventory of phosphate rocks and P_4 in the second half of FY2018. Due to the Group's substantially reduced scale of operations in FY2018, the AC and the Board did not deem it efficient and effective for the IA to carry out onsite fieldwork in FY2018.

In performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that the auditors intend to rely on that are relevant to the Group's preparation of financial statements. The external auditors also report any significant deficiencies, if any, in such internal controls to the AC.

The AC reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors and IA.

Although the Group currently does not have a formal risk management committee, the Management regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC. For more detailed discussion on the Group's financial risk management objectives and policies, they can be found in note 36 to the financial statements.

RISK STATEMENT

In June 2018, the Group shut down the furnaces for maintenance and has not resumed production after completion of maintenance due to the lack of phosphate rocks, as a result of the Chinese government's actions which deprive the Group of access to its phosphate rocks which is a key raw material for cost efficient production of P4.

A qualified person's report (QPR)/technical report was prepared by our independent geologists Watts Griffis & McOuat (WGM) in compliance with the requirements of Practice Note 4C of the Catalist Rules and dated 13 March 2018, for FY2017. As announced by the Company on SGXNet on 27 April 2018, with effect from 27 April 2018, the Group will no longer be deemed as a mineral, oil and gas company as defined under the Catalist Rules. As such, no QPR was prepared for the financial year ended 31 December 2018.

In preparation for the annual sustainability reporting and the enhanced environmental laws and monitoring requirements, the Group has arranged for its employees to attend the relevant training and reviewed existing sustainability reporting against the relevant benchmarks. Third-party experts were also engaged to complete environmental impact assessment for the Group's operations and to provide assurance that our operations remain compliant with the relevant authorities' requirements.

Based on the internal controls established and maintained by the Group, the statutory audit conducted by the external auditors, and reviews performed by the Management and various Committees, including the AC, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance, information technology controls, risk management systems or significant business risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2018.

DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of AsiaPhos Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

(i) having regard to and taking into consideration the matters disclosed in the financial statements, in particular Notes 2, 4.1(a), 4.2(b), 4.2(c), 9 and 12, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, based on factors as described in Note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

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

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares, warrants and debentures

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of the financial year**	**At the end of the financial year**	**At the beginning of the financial year**	**At the end of the financial year**
Ordinary shares of the Company				
Hong Pian Tee	1,549,850	2,099,850	562,500	562,500
Ong Hian Eng	9,024,394	9,024,394	242,137,677	242,137,677
Ong Eng Hock Simon	2,919,306	2,919,306	–	–
Ong Eng Siew Raymond	2,919,306	2,919,306	1,348,731	1,348,731
Ong Bee Pheng	33,084,041	33,084,041	–	–
Francis Lee Fook Wah	200,000	200,000	–	–
Warrants of the Company				
Hong Pian Tee	75,750	75,750	62,500	62,500
Ong Hian Eng	1,002,710	1,002,710	1,279,185	1,279,185
Ong Bee Pheng	3,676,004	3,676,004	–	–
Francis Lee Fook Wah	200,000	200,000	–	–

There is no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Ong Hian Eng is deemed to have an interest in shares of the subsidiaries of the Company.

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

Warrants

At the end of the financial year, details of outstanding warrants are as follows:

Date of issue	Warrants outstanding at the beginning of the financial year	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at the end of the financial year	Date of expiration
24 March 2017	95,124,065	–	–	–	95,124,065	23 March 2020

DIRECTORS' STATEMENT

Warrants (Continued)

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

AsiaPhos Performance Share Plan (the "Share Plan")

The Share Plan of the Company was approved at an Extraordinary General Meeting held on 22 August 2013. The Share Plan fosters a framework of ownership within our Group which aligns the interests of our Group Executives (including Directors of the Company) with interests of shareholders.

Unless otherwise defined, all defined terms shall have the same meanings as set forth in the Offer Document of the Company dated 25 September 2013.

The Share Plan is administered by the Remuneration Committee (the "RC") comprising:

– Goh Yeow Tin (Chairman)
– Hong Pian Tee
– Francis Lee Fook Wah

The following persons are eligible to participate in the Share Plan:

(a) Group Executives who have attained the age of 21 years as of the award date;

(b) Group Executive Directors and Group Non-Executive Directors (including Independent Directors); and

(c) Persons who meet the criteria of (a) and (b) above and who are Controlling Shareholders or Associates of a Controlling Shareholder, provided that the participation of and the terms of each grant and the actual number of Awards granted under the Share Plan to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by independent shareholders in general meeting in separate resolutions for each such person, and in respect of each such person, in separate resolutions for each of (i) his participation; and (ii) the terms of each grant and the actual number of Awards to be granted to him, provided always that it shall not be necessary to obtain the approval of independent shareholders for the participation in the Share Plan of a Controlling Shareholder or an Associate of a Controlling Shareholder who is, at the relevant time already a Participant.

DIRECTORS' STATEMENT

AsiaPhos Performance Share Plan (the "Share Plan") (Continued)

Participants must not be an undischarged bankrupt and must not have entered into a composition with his creditors.

The RC shall decide, in relation to an Award:

(a) the Participant;

(b) the Award Date;

(c) the Performance Period;

(d) the number of Shares which are the subject of an Award;

(e) the Performance Condition(s);

(f) the Release Schedule; and

(g) any other condition(s) which the Committee may determine in relation to that Award.

A member of the RC who is also a Participant shall not be involved in the RC's deliberation in respect of Awards granted or which will be granted to him.

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

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

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

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

DIRECTORS' STATEMENT

AsiaPhos Performance Share Plan (the "Share Plan") (Continued)

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 FY2018, no share has been awarded to any participant under the Share Plan. No share has been awarded to any participant, which, in aggregate, represent five per cent (5%) or more of the aggregate number of new shares available under the Share Plan and as such, no vesting of shares has taken place.

Audit Committee

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

The AC, having reviewed all non-audit services provided by the external auditor and its member firm 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 external auditor, without the presence of the Company's management, at least once a year. The two non-executive directors recused themselves during the meetings given their familial relationship with the management.

Auditor

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

On behalf of the board of directors:

Ong Hian Eng
Director

Ong Eng Hock Simon
Director

3 April 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of AsiaPhos Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet and the statement of changes in equity of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1) Assets and liability of disposal group and discontinued operation

In the previous financial year, the assets and directly associated liability of Mine 1, Mine 2 and Fengtai Mine, (collectively, the "Mining Assets") were reclassified as assets and liability of disposal group in the Group's consolidated balance sheet on 30 November 2017 and its results were reclassified as discontinued operation in the Group's consolidated statement of comprehensive income for the year ended 31 December 2017.

During the current financial year, due to circumstances as disclosed in Note 4.1 (a) and Note 9 to the financial statements, the proposed disposal has not been completed. As disclosed further in Note 4.1 (a), Note 4.2 (c) and Note 9, the directors are of the view that it remains appropriate to classify the Mining Assets as assets and liability of disposal group in the Group's consolidated balance sheet as at 31 December 2018 and its results as discontinued operation on the Group's consolidated statement of comprehensive income for the year ended 31 December 2018. The directors are also of the view that the fair value less costs of disposal of the Mining Assets is higher than their carrying amounts as at 31 December 2018. However, there exists significant uncertainties with respect to the outcome of the proposed disposal as it is subject to further negotiation with the relevant authorities in the People's Republic of China ("PRC"). Based on the information available to us, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the classification of the Mining Assets as assets and liability of disposal group and its results as discontinued operation. We were also unable to assess the appropriateness of the discontinued operation in the statement of comprehensive income and the carrying values of the assets and liability of disposal group in the Group's consolidated balance sheet as at 31 December 2018.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

Basis for Disclaimer of Opinion (Continued)

2) Impairment of investment in subsidiaries and amounts due from subsidiaries

As explained in the above paragraphs, there exists significant uncertainties with respect to the outcome of the proposed disposal of the Mining Assets. The recoverable amounts of the investment in subsidiaries and amounts due from subsidiaries are dependent on the outcome of the proposed disposal. Consequently, based on the information available to us, we were also unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying values of the cost of investment in subsidiaries amounting to $78,036,000 and amounts due from subsidiaries of $5,667,000 in the Company's balance sheet as at 31 December 2018.

3) Recoverable amount of property, plant and equipment

As disclosed in Note 12 to the financial statements, the Group assessed the recoverable value of the elemental phosphorus ("P4") plant as at 31 December 2018 based on valuation reports prepared by an independent Chinese professional valuer engaged by one of the Group's bankers to determine the value of certain parts of the P4 plant. Based on the value determined by the Chinese professional valuer, an impairment charge of $5,217,000 was recorded. However, we could not obtain the related underlying computations for the valuations performed. As a result, we were unable to obtain sufficient appropriate evidence to satisfy ourselves on the reasonableness of the key assumptions and inputs used in the determination of the recoverable amount of the P4 plant. Consequently, we were unable to assess the appropriateness of the carrying value of P4 plant and the impairment charge recorded during the year.

4) Going concern

As disclosed in Note 2 to the financial statements, the Group incurred a net loss after tax of $14,715,000. Excluding the assets and liability of the disposal group, the Group's current liabilities exceeded its current assets by $5,528,000 as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2 to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct the audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Continuing operations			
Revenue	5	**21,528**	44,085
Cost of sales		**(20,653)**	(37,275)
Gross profit		**875**	6,810
Other income	6	**167**	339
Selling and distribution costs		**(698)**	(1,331)
General and administrative costs		**(6,051)**	(5,270)
Finance costs		**(524)**	(582)
Other expense		**(7,759)**	–
Loss before tax from continuing operations	7	**(13,990)**	(34)
Taxation	8	**84**	(506)
Loss from continuing operations, net of tax		**(13,906)**	(540)
Discontinued operation			
(Loss)/profit from discontinued operation, net of tax	9	**(809)**	754
(Loss)/profit for the year		**(14,715)**	214
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		**(864)**	(751)
Total comprehensive income for the year		**(15,579)**	(537)
Attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		**(13,906)**	(540)
(Loss)/profit from discontinued operation, net of tax		**(809)**	754
(Loss)/profit for the year attributable to owners of the Company		**(14,715)**	214
Non-controlling interest			
(Loss)/profit for the year attributable to non-controlling interest		**–**	–
(Loss)/profit for the year		**(14,715)**	214
Total comprehensive income for the year attributable to:			
Owners of the Company		**(15,579)**	(537)
Non-controlling interest		**–**	–
Total comprehensive income for the year		**(15,579)**	(537)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Attributable to owners of the Company			
Total comprehensive income for the year from			
– Continuing operations		**(14,770)**	(1,291)
– Discontinued operation		**(809)**	754
Total comprehensive income for the year attributable to owners of the Company		**(15,579)**	(537)
(Loss)/earnings per share (cents per share)			
– Basic	33(a)	**(1.43)**	0.02
– Diluted	33(a)	**(1.43)**	0.02
(Loss)/earnings per share attributable to owners of the Company (cents per share)			
Basic			
– Continuing operations	33(b)	**(1.35)**	(0.05)
– Discontinued operation	33(c)	**(0.08)**	0.08
Diluted			
– Continuing operations	33(b)	**(1.35)**	(0.05)
– Discontinued operation	33(c)	**(0.08)**	0.08

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

BALANCE SHEETS

As at 31 December 2018

		Group			Company		
	Note	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Non-current assets							
Mine properties	10	**–**	–	65,133	**–**	–	–
Land use rights	11	**4,163**	4,362	4,535	**–**	–	–
Property, plant and equipment	12	**16,007**	25,162	38,619	**–**	–	–
Prepayments	13	**679**	695	691	**–**	–	–
Other receivables	14	**34**	34	285	**–**	–	–
Intangible asset	15	**–**	–	–	**–**	–	–
Goodwill	16	**–**	–	12,249	**–**	–	–
Deferred tax assets	28	**–**	–	64	**–**	–	–
Investment in subsidiaries	17	**–**	–	–	**78,036**	78,036	72,311
		20,883	30,253	121,576	**78,036**	78,036	72,311
Current assets							
Stocks	18	**441**	12,135	7,941	**–**	–	–
Trade receivables	19	**99**	985	3,975	**–**	–	–
Prepayments	13	**517**	2,174	1,108	**107**	282	38
Other receivables	14	**232**	379	601	**5**	55	57
Financial asset held for trading	20	**–**	389	–	**–**	–	–
Amounts due from subsidiaries	21	**–**	–	–	**5,667**	6,803	4,038
Cash and bank balances	22	**2,455**	2,203	2,588	**413**	1,130	1,027
Assets of disposal group	9	**89,795**	90,110	–	**–**	–	–
		93,539	108,375	16,213	**6,192**	8,270	5,160
Total assets		**114,422**	138,628	137,789	**84,228**	86,306	77,471
Current liabilities							
Bank overdraft (secured)	22	**–**	–	392	**–**	–	392
Trade payables	23	**73**	4,439	6,022	**–**	–	–
Other payables	24	**2,800**	5,121	5,569	**361**	241	145
Advances from customers		**93**	492	455	**–**	–	–
Interest-bearing bank loans	25	**6,306**	6,963	7,086	**–**	–	–
Loan due to a director	26	**–**	–	1,000	**–**	–	1,000
Deferred income	27	**–**	–	35	**–**	–	–
Provision for taxation		**–**	713	556	**–**	–	–
Liability of disposal group	9	**795**	815	–	**–**	–	–
Amounts due to subsidiaries	21	**–**	–	–	**2,232**	2,983	1,239
		10,067	18,543	21,115	**2,593**	3,224	2,776
Net current assets/(liabilities)		**83,472**	89,832	(4,902)	**3,599**	5,046	2,384

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		2018	31.12.2017	1.1.2017	2018	31.12.2017	1.1.2017
		$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities							
Deferred income	27	**1,945**	2,034	2,202	**–**	–	–
Deferred tax liabilities	28	**17,287**	17,385	17,506	**–**	–	–
Provision for rehabilitation	29	**–**	–	170	**–**	–	–
Redeemable preference shares	30	**–**	–	5,725	**–**	–	–
Provision for reinstatement cost		**45**	–	–	**–**	–	–
		19,277	19,419	25,603	**–**	–	–
Total liabilities		**29,344**	37,962	46,718	**2,593**	3,224	2,776
Net assets		**85,078**	100,666	91,071	**81,635**	83,082	74,695
Equity attributable to owners of the Company							
Share capital	31	**78,283**	78,283	68,151	**78,283**	78,283	68,151
Reserves	32	**(2,668)**	12,920	13,457	**3,352**	4,799	6,544
		75,615	91,203	81,608	**81,635**	83,082	74,695
Non-controlling interest		**9,463**	9,463	9,463	**–**	–	–
Total equity		**85,078**	100,666	91,071	**81,635**	83,082	74,695

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Group	Share capital $'000	Merger reserve $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Safety fund surplus reserve $'000	Total reserves $'000	Non-controlling interest $'000	Total equity $'000
Opening balance at 1 January 2018 (FRS framework)	**78,283**	**850**	**9,569**	**1,483**	**1,018**	**12,920**	**9,463**	**100,666**
Impact on adoption of SFRS(I) 9	**–**	**–**	**(9)**	**–**	**–**	**(9)**	**–**	**(9)**
Opening balance at 1 January 2018, (SFRS(I) framework)	**78,283**	**850**	**9,560**	**1,483**	**1,018**	**12,911**	**9,463**	**100,657**
Loss for the year, net of tax	**–**	**–**	**(14,715)**	**–**	**–**	**(14,715)**	**–**	**(14,715)**
Other comprehensive income								
Foreign currency translation	**–**	**–**	**–**	**(864)**	**–**	**(864)**	**–**	**(864)**
Total comprehensive income for the year	**–**	**–**	**(14,715)**	**(864)**	**–**	**(15,579)**	**–**	**(15,579)**
Others								
Transfer to safety fund surplus reserve	**–**	**–**	**(551)**	**–**	**551**	**–**	**–**	**–**
Utilisation of safety fund surplus reserve	**–**	**–**	**19**	**–**	**(19)**	**–**	**–**	**–**
At 31 December 2018	**78,283**	**850**	**(5,687)**	**619**	**1,550**	**(2,668)**	**9,463**	**85,078**
At 1 January 2017	68,151	850	9,517	2,234	856	13,457	9,463	91,071
Profit for the year, net of tax	–	–	214	–	–	214	–	214
Other comprehensive income								
Foreign currency translation	–	–	–	(751)	–	(751)	–	(751)
Total comprehensive income for the year	–	–	214	(751)	–	(537)	–	(537)
Contributions by and distributions to owners								
Issuance of new ordinary shares	10,416	–	–	–	–	–	–	10,416
Share issuance expenses	(284)	–	–	–	–	–	–	(284)
Total transactions with owners in their capacity as owners	10,132	–	–	–	–	–	–	10,132
Others								
Transfer to safety fund surplus reserve	–	–	(600)	–	600	–	–	–
Utilisation of safety fund surplus reserve	–	–	438	–	(438)	–	–	–
At 31 December 2017	78,283	850	9,569	1,483	1,018	12,920	9,463	100,666

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Company	**Share capital $'000**	**Retained earnings $'000**	**Total equity $'000**
At 1 January 2018	**78,283**	**4,799**	**83,082**
Loss for the year, representing total comprehensive income for the year	**–**	**(1,447)**	**(1,447)**
At 31 December 2018	**78,283**	**3,352**	**81,635**
At 1 January 2017	68,151	6,544	74,695
Loss for the year, representing total comprehensive income for the year	–	(1,745)	(1,745)
Contributions by and distributions to owners			
Issuance of new ordinary shares	10,416	–	10,416
Share issuance expenses	(284)	–	(284)
Total transactions with owners in their capacity as owners	10,132	–	10,132
At 31 December 2017	78,283	4,799	83,082

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 2018

	2018 $'000	2017 $'000
Cash flows from operating activities		
(Loss)/profit before tax from		
– Continuing operations	**(13,990)**	(34)
– Discontinued operation	**(809)**	1,010
(Loss)/profit before tax, total	**(14,799)**	976
Adjustments for:		
Depreciation expense	**959**	3,337
Amortisation expense	**94**	308
Interest expense	**522**	515
Inventories written down	**1,364**	–
Provision for doubtful debts	**1,195**	–
Provision made for impairment of property, plant and equipment	**7,658**	–
Interest income	**(8)**	(12)
Gains on financial asset held for trading	**(2)**	(34)
Loss on disposal of property, plant and equipment	**94**	14
Unrealised exchange gain	**(251)**	(7)
Government grant	**(31)**	(1)
Amortisation of deferred income	**(40)**	(164)
Operating cash flows before working capital changes	**(3,245)**	4,932
Decrease/(increase) in stocks	**10,256**	(4,306)
Decrease in receivables	**1,507**	1,911
Decrease in payables	**(6,979)**	(1,837)
Cash flows generated from operations	**1,539**	700
Interest received	**8**	12
Interest paid	**(522)**	(704)
Income tax paid	**(718)**	(638)
Net cash flows generated from/(used in) operating activities	**307**	(630)
Cash flows from investing activities		
Payments for property, plant and equipment[(a)]	**(5)**	(2,376)
Payments made in advance for property, plant and equipment[(a)]	**–**	(16)
Proceeds from disposal of property, plant and equipment	**47**	–
Purchase of financial asset held for trading	**–**	(367)
Net proceeds on gains on financial asset held for trading	**398**	14
Receipt of government grant	**31**	1
Net cash flows generated from/(used in) investing activities	**471**	(2,744)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	2018 $'000	2017 $'000
Cash flows from financing activities		
Repayment of bank loans	**(6,929)**	(6,925)
Proceeds from bank loans	**6,432**	6,925
Net proceeds from rights cum warrants issue	**–**	4,158
Proceeds from exercise of warrants	**–**	1,403
Redemption of redeemable preference shares	**–**	(1,403)
Decrease in pledged deposits	**713**	163
Payments for share issuance expense	**–**	(284)
Loan due to a director	**–**	(467)
Net cash flows generated from financing activities	**216**	3,570
Net increase in cash and cash equivalents	**994**	196
Cash and cash equivalents at beginning of the year	**1,182**	1,012
Effects of exchange rate changes on cash and cash equivalents	**(23)**	(26)
Cash and cash equivalents at end of the year (Note 22)	**2,153**	1,182

Notes to the consolidated statement of cash flows

(a) Payment for property, plant and equipment

	2018 $'000	2017 $'000
Current year additions (Note 12)	**50**	2,901
Add/(less):		
Increase in provision for reinstatement cost	**(45)**	–
Increase in rehabilitation asset	**–**	(645)
Increase in prepayments related to property, plant and equipment	**–**	16
Decrease in payables related to property, plant and equipment	**–**	120
Net cash outflows for payment for property, plant and equipment	**5**	2,392

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 2018

1. CORPORATE INFORMATION

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

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

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

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

2. GOING CONCERN

The Group incurred a net loss after tax of $14,715,000 in the financial year ended 31 December 2018 ("FY2018") compared to a net profit after tax of $214,000 in financial year ended 31 December 2017 ("FY2017"). Excluding the assets and liability of disposal group, the Group's current liabilities as at 31 December 2018 exceeded the current assets as at 31 December 2018 by $5,528,000. The above factors may indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as going concern.

In the opinion of the directors, the Group is able to continue as going concern for the following reasons:

(a) The Group is able to generate cash flows from its downstream chemical segments through trading of chemical products like Sodium Tripolyphosphate ("STPP"), Sodium Hexametaphosphate ("SHMP") as well as other polyphosphate chemicals and achieve reduction in cash outlays and overheads from downsized operations and lower headcount;

(b) The Group has entered into a settlement agreement with a particular customer which is a subsidiary of a State-Owned Enterprise and also partly owned by the Deyang Government for outstanding receivables of $1,119,000 (RMB5,600,000). The Group has not received the expected installments which were due on 31 January 2019, 28 February 2019 and 31 March 2019 as the said customer has not resumed its operations. Nevertheless, the Group expects the customer to settle the outstanding receivables;

(c) The Group is exploring sale of land that is surplus to the Group's current operating requirements; and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. GOING CONCERN (CONTINUED)

(d) Discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due. As disclosed in Note 41, the Group has renewed facilities of $1,998,000 (RMB10,000,000) in January 2019. Accordingly, as at the date of this report, the Group has aggregate facilities of $6,306,000 (RMB31,561,000) which are due in December 2019 and January 2020. As the Group has in the past not defaulted on any of the loans extended to it, barring unforeseen circumstances, the Directors expect that the Group will be able to requisite financing for the Group's operations.

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

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

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 (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 3.2 for information on how the Group adopted SFRS(I).

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

3.2 First-time adoption of Singapore Financial Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group's and the Company's date of transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 First-time adoption of Singapore Financial Standards (International) (SFRS(I)) (Continued)

Exemptions applied to adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption to not restate the comparative information that do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those of the previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material impact on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity’s business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets’ contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 First-time adoption of Singapore Financial Standards (International) (SFRS(I)) (Continued)

SFRS(I) 9 *Financial Instruments* (Continued)

Classification and measurement (Continued)

The assessment of the business model and whether the financial assets meet the SPPI requirements were made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of $9,000. The impairment recognised arising from adoption of SFRS(I) 9 resulted in a corresponding decrease in retained earnings of $9,000 as at 1 January 2018.

The reconciliation for loss allowance for the Group are as follows:

	Group Trade receivables $'000
Opening loss allowance as at 1 January 2018	52
Amount restated through opening retained earnings	9
Adjusted loss allowance	61

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 First-time adoption of Singapore Financial Standards (International) (SFRS(I)) (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) 9 on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group		
	31.12.2017 (SFRS(I)) $'000	SFRS(I) 9 adjustment $'000	1.1.2018 (SFRS(I)) $'000
Non-current assets			
Land use rights	4,362	–	**4,362**
Property, plant and equipment	25,162	–	**25,162**
Prepayments	695	–	**695**
Other receivables	34	–	**34**
	30,253	–	**30,253**
Current assets			
Stocks	12,135	–	**12,135**
Trade receivables	985	(9)	**976**
Prepayments	2,174	–	**2,174**
Other receivables	379	–	**379**
Financial asset held for trading	389	–	**389**
Cash and bank balances	2,203	–	**2,203**
Assets of disposal group	90,110	–	**90,110**
	108,375	(9)	**108,366**
Total assets	138,628	(9)	**138,619**
Current liabilities			
Trade payables	4,439	–	**4,439**
Other payables	5,121	–	**5,121**
Advances from customers	492	–	**492**
Interest-bearing bank loans	6,963	–	**6,963**
Provision for taxation	713	–	**713**
Liability of disposal group	815	–	**815**
	18,543	–	**18,543**
Non-current liabilities			
Deferred income	2,034	–	**2,034**
Deferred tax liabilities	17,385	–	**17,385**
	19,419	–	**19,419**
Total liabilities	37,962	–	**37,962**
Net assets	100,666	(9)	**100,657**
Equity attributable to owners of the Company			
Share capital	78,283	–	**78,283**
Reserves	12,920	(9)	**12,911**
	91,203	(9)	**91,194**
Non-controlling interest	9,463	–	**9,463**
Total equity	100,666	(9)	**100,657**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to SFRS(I)s 2015 to 2017 Cycle	1 January 2019

Except for SFRS(I) 16, the directors expect that the adoption of other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Standards issued but not yet effective (Continued)

SFRS(I) ***16 Leases*** (Continued)

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On adoption of SFRS(I) 16, the Group expects to recognise an increase in right-of-use assets and lease liabilities for its leases previously classified as operating leases. In addition, the Group will present land use rights as right-of-use assets as of 1 January 2019.

3.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Basis of consolidation and business combinations (Continued)

(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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(a) Transactions and balances

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

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

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their statements of comprehensive income are translated at average exchange rates for the year which approximate the exchange rates prevailing at the date of the transactions. The exchange differences arising from the translation are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

(c) Net investment in foreign operations

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred to bring the asset to a working condition for its intended use. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. CIP comprises the costs of materials and labour, capitalised borrowing costs and costs directly attributable to bringing the assets to a working condition for their intended use. Costs incurred in testing the assets to determine if they are functioning as intended are capitalised, after deducting any proceeds received from selling the products produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the profit or loss. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Mining infrastructure comprises plant and machinery used in mining activities, fixtures and infrastructure within the mines, as well as waste removal costs. Infrastructure includes cabling equipment and tracks, ventilation tunnels, sheds, dormitory, as well as the initial estimate of the rehabilitation obligations upon closure of mines. Waste removal costs are incurred as part of the preparation work to get the mine ready for extraction of minerals. Waste removal costs are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in waste removal costs over the life of the mine.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment (Continued)

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

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

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

3.8 Exploration and evaluation costs and mine properties

(a) Exploration and evaluation ("E&E") costs

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

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

– Researching and analysing historical exploration data;

– Gathering exploration data through geophysical studies;

– Exploratory drilling and sampling;

– Determining and examining the volume and grade of the resource;

– Surveying transportation and infrastructure requirements;

– Conducting market and finance studies.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Exploration and evaluation costs and mine properties (Continued)

(a) Exploration and evaluation ("E&E") costs (Continued)

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

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

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

E&E costs incurred on licenses where a resource estimate has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a resource estimate. Costs expensed during this phase are included in 'Other operating expenses' in the profit or loss.

Upon the establishment of a resource estimate (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as E&E assets. Capitalised E&E expenditure is considered to be an intangible asset.

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

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

(i) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Exploration and evaluation costs and mine properties (Continued)

(a) Exploration and evaluation ("E&E") costs (Continued)

(iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or through sale.

An impairment loss is recognised for the amount by which the E&E assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the E&E assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the E&E assets that are subject to testing are grouped with existing cash-generating units of production fields that are within the same licensed boundaries.

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

(b) Mines under construction

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

After transfer of the E&E assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine.

Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the profit or loss. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines'.

(c) Producing mines

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Exploration and evaluation costs and mine properties (Continued)

(c) ***Producing mines*** (Continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on straight-line basis over the lease term of 50 years.

3.10 Intangible assets

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

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation of intangible assets is computed on a straight-line basis over the estimated useful life of 3 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

Impairment losses are recognised in the profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

3.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and though amortisation process.

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

3.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets (Continued)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits. These also include bank overdrafts that form an integral part of the Group's cash management. Pledged deposits are excluded for the purpose of the consolidated statement of cash flows.

3.16 Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing the stocks to their present location and condition are accounted for as follows:

– Raw materials and packaging: purchase costs and other directly attributable costs, on a weighted average basis.

– Finished goods: costs include direct materials, direct labour and an appropriate proportionate of manufacturing overhead costs. These costs are assigned on a weighted average basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Provisions

General

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

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

Provision for rehabilitation

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

The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining location. The Group estimates its liabilities for final rehabilitation and mine closure based on calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure. Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in the profit or loss. The asset is depreciated using the straight-line method over its expected life and the liability is accreted to the projected expenditure date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred income on the balance sheet and is amortised to profit or loss over the useful life of the relevant asset.

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

3.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.20 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore subsidiaries make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

The employees of the subsidiaries in the PRC are required to participate in a defined contribution retirement scheme. The PRC subsidiaries are required to make contributions to a local social security bureau and housing fund management bureau, 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.

Termination benefit

Termination benefits are employee benefits for employees of the subsidiaries in the PRC provided in exchange for the termination of an employee's employment as a result of an entity's decision to terminate an employee's employment.

A liability and expense for termination benefits are recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits and prevailing PRC regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leases

As lessee

Leases in which the Group does not transfer substantially all the risks and rewards of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on straight-line basis.

3.22 Non-current assets held for disposal and discontinued operations

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

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

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

3.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good and service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Revenue (Continued)

(a) Sale of goods

Revenue is recognised when the goods are delivered to or collected by customers and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the contractual price.

(b) Interest income

Interest income is recognised using the effective interest method.

3.24 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

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

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Share capital and share issuance expenses

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

3.26 Contingencies

A contingent liability is:

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

4.1 Judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Assets and liability of disposal group

Since November 2017, the Group has been in discussion with the Chinese Government in relation to Mine 1, Mine 2 and Fengtai Mine (collectively, the "Mining Assets"). Based on legal advice received, while the Group's ownership of the Mining Assets was still valid as at 31 December 2017, the Mianzhu City Government's request to provide a letter of undertaking to vacate and rehabilitate its mining sites in respect of Mine 2 and Fengtai Mine and the non-renewal of mining and exploration licenses of Mine 1 is tantamount to an indirect expropriation of these Mining Assets.

SFRS(I) 5 *Non-current assets held for sale and discontinued operations* requires non-current assets to be classified as held for sale if the carrying amount will be recovered principally through a sale transaction or otherwise rather than continuing use. The carrying value of the Mining Assets is expected to be recovered principally through compensation receivable from the Chinese Government for the expropriation of the Mining Assets.

SFRS(I) 5 also recognises that events and circumstances may extend the period required to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

As at 31 December 2018, because of unexpected changes, the disposal of Mining Assets has not been completed. As announced on 15 November 2018, the negotiations on disposal of the Mining Assets had been escalated from the Sichuan Provincial Government to Ministry of Commerce of the Chinese Government ("MOFCOM").

The Group has cooperated fully with the Chinese Government in provision of the required information and is currently still engaged in negotiations with MOFCOM and the Sichuan Provincial Government on, *inter alia*, the selection of an independent valuer to value its claims and the terms of reference of such engagement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

4.1 Judgement made in applying accounting policies (Continued)

(a) Assets and liability of disposal group (Continued)

Accordingly, due to the continuing discussions with the Chinese Government, the directors are of the view that it is appropriate for the Group to continue to present all mining related property, plant and equipment, mine properties, goodwill and deposits for rehabilitation and mining levy, and the provision for rehabilitation as "assets of disposal group" and "liability of disposal group" respectively on the Group's consolidated balance sheet as at 31 December 2018.

No adjustments have been made to the carrying value of these assets so as not to prejudice the Group's position in the ongoing discussions with the Chinese Government.

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 entity's domicile. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. As at 31 December 2018, the Group had tax losses and deductible temporary differences of $13,915,000 (31 December 2017: $949,000, 1 January 2017: $903,000) available for offset against future taxable profits of the companies in which the losses and temporary differences arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

The carrying amount of the Group's provision for taxation and deferred tax liabilities as at 31 December 2018 were Nil (31 December 2017: $713,000, 1 January 2017: $556,000) and $17,287,000 (31 December 2017: $17,385,000, 1 January 2017: $17,506,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash-generating unit by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management uses values estimated by professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions. The carrying amount of the Group's property, plant and equipment is disclosed in Note 12.

(c) Impairment of assets of disposal group

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

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

The directors, based on currently available information, are of the opinion that the fair value less cost to sell is higher than the carrying amount of the assets held for disposal. Accordingly, no impairment loss was recorded in the consolidated income statement for FY2018 and FY2017. The carrying amount of assets of disposal group as at 31 December 2018 was $89,795,000 (31 December 2017: $90,110,000, 1 January 2017: Nil).

(d) Impairment of investment in subsidiaries

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the recoverable amount of the cash generating units. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at 31 December 2018 was $78,036,000 (31 December 2017: $78,036,000, 1 January 2017: $72,311,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Key sources of estimation uncertainty (Continued)

(e) Provision of expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 19.

The carrying amount of trade receivables as at 31 December 2018 is $99,000 (31 December 2017: $985,000, 1 January 2017: $3,975,000).

5. REVENUE

Revenue from continuing operations represents invoiced trading sales of phosphate chemical products and is shown net of taxes.

The disaggregation of revenue recognised by nature and amount is disclosed in Note 34. The timing of transfer of goods is at a point in time.

6. OTHER INCOME

	Group	
	2018	**2017**
	$'000	**$'000**
Gains on financial asset held for trading	**2**	34
Interest income	**8**	12
Government grants and subsidy income[1]	**51**	37
Sale of scrap	**57**	34
Amortisation of deferred income (Note 27)	**40**	164
Others	**9**	58
	167	339

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	Group	
	2018	**2017**
	$'000	**$'000**
Amortisation expense	**(94)**	(94)
Audit fees*		
– Auditors of the Company	**(144)**	(194)
– Affiliates of auditors of the Company	**(86)**	(109)
Non-audit fees*		
– Auditors of the Company	**(26)**	(23)
– Affiliates of auditors of the Company	**–**	(34)
Depreciation of property, plant and equipment	**(959)**	(1,773)
Exchange gain*	**170**	45
Staff costs	**(1,266)**	(2,015)
Defined contribution plan	**(465)**	(975)
Termination of services of employees	**(551)**	**–**
Directors' fees*		
– Directors of the Company	**(240)**	(361)
– Directors of subsidiaries	**(30)**	(30)
Directors' remuneration*		
– Directors of the Company	**(437)**	(453)
– Directors of subsidiaries	**(496)**	(518)
Inventories written down	**(1,364)**	–
Loss on disposal of property, plant and equipment	**(94)**	(14)
Provision for doubtful debts (charged)/written back		
– trade receivables	**8**	–
– other receivables	**(30)**	–
Finance costs		
– Interest on bank loan and bank overdraft	**(393)**	(307)
– Interest on redeemable preference shares	**–**	(106)
– Other interest expense	**(65)**	(43)
– Bank charges and other finance costs	**(66)**	(126)
Provision made for impairment of property, plant and equipment	**(7,658)**	–

* 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 2018

8. TAXATION

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the financial years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Current income tax – continuing operations		
– Current income taxation	**–**	548
– Over provision in respect of previous years	**(8)**	(95)
	(8)	453
Deferred income tax – continuing operations		
– Origination and reversal of temporary differences	**(76)**	53
Income tax (credit)/expense attributable to continuing operations	**(84)**	506
Income tax expense attributable to discontinued operation (Note 9)	**–**	256
Income tax (credit)/expense recognised in profit or loss	**(84)**	762

Relationship between PRC corporate tax rate and average effective tax rate

A reconciliation between the PRC corporate tax rate of the Company to the average effective tax rate of the Group for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	%	**%**
Taxation at the PRC corporate tax rate	**(25.00)**	25.00
Adjustments on tax effect of:		
Non-deductible expenses	**1.32**	67.53
Income not subject to taxation	**(0.84)**	(11.47)
Over provision in respect of previous years	**(0.06)**	(9.65)
Deferred tax assets not recognised	**22.95**	7.81
Differences in tax rates	**1.42**	15.65
Benefits of previously unrecognised tax losses	**(0.36)**	(17.15)
Effective tax rate	**(0.57)**	77.72

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. TAXATION (CONTINUED)

A loss-transfer system of group relief ("Group Relief System") for companies was introduced in Singapore with effect from year of assessment 2003. Under the Group Relief System, a Singapore company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another Singapore company belonging to the same group, to be deducted against the assessable income of the latter company. During FY2018, the Group utilised current year tax losses of Nil (2017: $24,000) to set off the assessable income of certain companies within the Group.

9. DISCONTINUED OPERATION AND DISPOSAL GROUP

Since November 2017, the Group has been in discussions with the Chinese Government on the Mianzhu City Government's request for the Group to provide a letter of undertaking to *inter alia*, vacate and rehabilitate its mining sites in respect of Mine 2 and the Fengtai Mine and the non-renewal of the Mine 1 mining and exploration licenses. Based on legal advice received, while the Group's ownership of the Mining Assets was still valid as at 31 December 2017, the Chinese Government's action is tantamount to an indirect expropriation of these Mining Assets.

SFRS(I) 5 *Non-current assets held for sale and discontinued operations* requires non-current assets to be classified as held for sale if the carrying amount will be recovered principally through a sale transaction or otherwise rather than continuing use. The carrying value of the Mining Assets is expected to be recovered principally through compensation receivable for the expropriation of the Mining Assets from the Chinese Government.

As at 31 December 2017, the Group adopted the principles set out in FRS 105 in its accounting treatment of the Mining Assets as an expropriation is in substance, a compulsory acquisition of the Mining Assets carried out by the Chinese Government. All mining related property, plant and equipment, mine properties, goodwill, deposits for rehabilitation and mining levy have been reclassified as "assets of disposal group" in current assets on the consolidated balance sheet since 30 November 2017. Provision for rehabilitation was reclassified as "liability of disposal group" in current liabilities on the consolidated balance sheet since 30 November 2017 as the provision is directly associated with the disposal group and the directors are of the view that the cost of rehabilitation will be deducted from the settlement proceeds. The results from mining operations are presented separately as "Discontinued operation" on the consolidated income statement for the years ended 31 December 2018 and 2017.

SFRS(I) 5 also recognises that events and circumstances may extend the period required to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

As at 31 December 2018, because of unexpected changes, the disposal of Mining Assets has not been completed. As announced on 15 November 2018, the negotiations on disposal of the Mining Assets had been escalated from the Sichuan Provincial Government to Ministry of Commerce of the Chinese Government ("MOFCOM").

The Group has cooperated fully with the Chinese government in provision of the required information and is currently still engaged in negotiations with MOFCOM and the Sichuan Provincial Government on, inter alia, the selection of an independent valuer to value its claims and the terms of reference of such engagement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. DISCONTINUED OPERATION AND DISPOSAL GROUP (CONTINUED)

Accordingly, due to the continuing discussions with the Chinese Government, the directors are of the view that it is appropriate for the Group to continue to present all mining related property, plant and equipment, mine properties, goodwill and deposits for rehabilitation and mining levy, and the provision for rehabilitation as "assets of disposal group" and "liability of disposal group" respectively on the Group's consolidated balance sheet as at 31 December 2018.

Immediately before the classification to assets of disposal group on 30 November 2017, the recoverable amount of the mining assets was estimated. Based on independent valuation of the mining assets, the fair value of the relevant assets is greater than their carrying value. No impairment loss was identified for FY2018 and FY2017.

As a result, the directors are of the opinion that the fair market value less cost of disposal is higher than the carrying amount of the assets and liability of disposal group.

No adjustments have been made to the carrying value of these assets so as not to prejudice the Group's position in the ongoing discussion with the Chinese Government.

Balance sheet disclosures

	Group	
	2018	**31.12.2017**
	$'000	**$'000**
Assets of disposal group:		
Mine properties	**65,250**	65,264
Mining related property, plant and equipment	**12,050**	12,345
Goodwill	**12,249**	12,249
Deposits for rehabilitation and mining levy	**246**	252
	89,795	90,110
Liability of disposal group:		
Provision for rehabilitation	**795**	815
Net assets of disposal group	**89,000**	89,295

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. DISCONTINUED OPERATION AND DISPOSAL GROUP (CONTINUED)

Income statement disclosures

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

	Group	
	2018 $'000	**2017 $'000**
Revenue	**2,064**	6,990
Cost of sales	**(1,211)**	(4,949)
Gross profit	**853**	2,041
Other income	**–**	19
Selling and distribution costs	**–**	(33)
General and administrative costs	**(1,598)**	(952)
Finance costs	**(64)**	(65)
(Loss)/profit before tax from discontinued operation	**(809)**	1,010
Taxation	**–**	(256)
(Loss)/profit from discontinued operation, net of tax	**(809)**	754

Cash flow statement disclosures

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

	Group	
	2018 $'000	**2017 $'000**
Operating	**(809)**	308
Investing	**–**	(1,833)
Financing	**–**	61
Net cash outflows	**(809)**	(1,464)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. MINE PROPERTIES

	Group		
	Exploration and evaluation assets $'000	Producing mines $'000	Total $'000
Cost			
At 1 January 2017	28,031	40,089	68,120
Additions	346	–	346
Currency realignment	(1)	(55)	(56)
Transfer to assets of disposal group (Note 9)	(28,376)	(40,034)	(68,410)
At 31 December 2017, 1 January 2018 and 31 December 2018	–	–	–
Accumulated amortisation			
At 1 January 2017	–	2,987	2,987
Charge for the year	–	214	214
Currency realignment	–	(52)	(52)
Transfer to assets of disposal group (Note 9)	–	(3,149)	(3,149)
At 31 December 2017, 1 January 2018 and 31 December 2018	–	–	–
Net carrying amount			
At 31 December 2017 and 2018	–	–	–
At 1 January 2017	28,031	37,102	65,133
Remaining useful lives			
At 31 December 2017 and 2018		Not meaningful	
At 1 January 2017		1 to 4 years	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. LAND USE RIGHTS

	Group $'000
Cost	
At 1 January 2017	4,836
Currency realignment	(84)
At 31 December 2017 and 1 January 2018	4,752
Currency realignment	(116)
At 31 December 2018	4,636
Accumulated amortisation	
At 1 January 2017	301
Amortisation for the year	94
Currency realignment	(5)
At 31 December 2017 and 1 January 2018	390
Amortisation for the year	94
Currency realignment	(11)
At 31 December 2018	473
Net carrying amount	
At 31 December 2018	4,163
At 31 December 2017	4,362
At 1 January 2017	4,535

	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Amount to be amortised:			
– Not later than one year	**94**	94	96
– Later than one year but not more than five years	**376**	376	384
– Later than five years	**3,693**	3,892	4,055
	4,163	4,362	4,535
Remaining useful lives	**43 to 46 years**	44 to 47 years	45 to 48 years

Land use rights represent cost of land use rights in respect of two plots of leasehold lands located in Sichuan Province, PRC. A PRC subsidiary obtained land use rights in Mianzhu City, Sichuan Province, PRC, with licensed tenure of approximately 50 years when obtained in December 2011 and February 2015.

Amortisation of land use rights are recognised in the "General and administrative costs" in the consolidated statement of comprehensive income.

Assets pledged as security

At 31 December 2018 and 2017, land use rights with carrying value of $4,163,000 (RMB20,836,000) (31 December 2017: $4,362,000 (RMB21,299,000), 1 January 2017: $4,535,000 (RMB21,762,000)) are pledged to secure the interest-bearing bank loans (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Motor vehicles and office equipment $'000	Mining infrastructure[1] $'000	Construction-in-progress $'000	Total $'000
Cost							
At 1 January 2017	11,729	337	25,190	1,219	13,026	261	51,762
Additions	250	–	218	20	2,389	24	2,901
Transfers	16	–	–	–	7	(23)	–
Disposals	–	–	(17)	–	–	–	(17)
Transfer to assets of disposal group (Note 9)	(1,496)	–	(2,060)	(126)	(15,159)	(144)	(18,985)
Currency realignment	(209)	(2)	(492)	(15)	(263)	(6)	(987)
At 31 December 2017 and 1 January 2018	10,290	335	22,839	1,098	–	112	34,674
Additions	–	45	–	5	–	–	50
Disposals	–	–	(220)	(22)	–	–	(242)
Currency realignment	(251)	(3)	(617)	(17)	–	(2)	(890)
At 31 December 2018	10,039	377	22,002	1,064	–	110	33,592
Accumulated depreciation and impairment loss							
At 1 January 2017	1,698	231	6,387	805	4,022	–	13,143
Charge for the year	554	40	1,145	206	1,392	–	3,337
Disposals	–	–	(3)	–	–	–	(3)
Transfer to assets of disposal group (Note 9)	(513)	–	(757)	(96)	(5,336)	–	(6,702)
Currency realignment	(29)	(2)	(144)	(10)	(78)	–	(263)
At 31 December 2017 and 1 January 2018	1,710	269	6,628	905	–	–	9,512
Charge for the year	490	40	337	92	–	–	959
Impairment loss	1,924	–	5,622	–	–	112	7,658
Disposals	–	–	(86)	(22)	–	–	(108)
Currency realignment	(89)	(3)	(328)	(14)	–	(2)	(436)
At 31 December 2018	4,035	306	12,173	961	–	110	17,585
Net carrying amount							
At 31 December 2018	6,004	71	9,829	103	–	–	16,007
At 31 December 2017	8,580	66	16,211	193	–	112	25,162
At 1 January 2017	10,031	106	18,803	414	9,004	261	38,619

(1) Prior to classification to assets of disposal group on 30 November 2017, mining infrastructure includes waste removal cost of $7,154,000 (RMB35,103,000) (1 January 2017: $6,340,000 (RMB35,424,000)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security

At 31 December 2018, property, plant and equipment of the Group with a carrying amount of $16,506,000 (RMB82,613,000) (31 December 2017: $21,136,000 (RMB103,202,000), 1 January 2017: $22,257,000 (RMB106,800,000)) are pledged to secure the interest-bearing bank loans (Note 25).

Impairment testing

Elemental phosphorus ("P4") plant

During the financial year, the Group stopped the production of elemental phosphorus ("P4") in the second quarter of 2018 to carry out maintenance work on the P4 plant and this was completed in the third quarter of 2018. As at 31 December 2018, production has not resumed as a result of the Chinese government's actions which deprive the Group of access to phosphate rocks, which is a key raw material, for cost efficient production of P4.

The Group made an assessment of the recoverable amount of the P4 plant based on valuation reports prepared by an independent Chinese professional valuer engaged by one of the Group's bankers, Bohai Bank to determine the value of certain parts of the P4 plant which were used to secure the Group's loan with the bank. Due to the specialised nature of the plant and lack of comparable recent transactions, the Chinese professional valuer used depreciated replacement cost method to arrive at the valuation. Remaining parts of the P4 plant that were not included in the valuation reports relates to shared and peripheral assets were also written down as at 31 December 2018.

As a result, after considering of the unamortised deferred income (Note 27) in the impairment assessment, impairment charge of $5,217,000 (RMB25,601,000) was recognised in "Other expense" line item of the consolidated income statement for the financial year ended 31 December 2018.

Sodium Tripolyphosphate ("STPP") plant

Due to the Group's intention to dispose the land that is surplus to the Group's current operating requirements, the carrying value of the STPP plant which is located on the said land, was written down to its estimated scrap value less cost of disposal. Peripheral and shared assets were fully written down as at 31 December 2018.

As a result, impairment charge of $2,441,000 (RMB11,976,000) was recognised in "Other expenses" line item of the consolidated income statement for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. PREPAYMENTS

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-current						
Payments made in respect of						
– Land use rights	**514**	527	535	**–**	–	–
– Plant and equipment	**165**	168	156	**–**	–	–
	679	695	691	**–**	–	–
Current						
Miscellaneous prepayments	**517**	2,174	1,108	**107**	282	38

Prepayments for land use rights relate to a plot of leasehold land in Mianzhu City, Sichuan Province, PRC.

Prepayments made for plant and equipment relate to payments made for the purchase of plant and equipment.

14. OTHER RECEIVABLES

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-current						
Long-term deposits	**–**	–	257	**–**	–	–
Refundable deposits	**34**	34	28	**–**	–	–
	34	34	285	**–**	–	–
Current						
Other receivables	**232**	379	589	**5**	55	48
Refundable deposits	**–**	–	12	**–**	–	9
	232	379	601	**5**	55	57

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. OTHER RECEIVABLES (CONTINUED)

Other receivables denominated in foreign currency other than the functional currencies of the respective entities at the end of the reporting period are as follows:

	Group and Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Euro	–	55	47

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

	Group			Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Other receivables – nominal amounts	70	41	41	–	–	–
Less: Allowance for doubtful receivables	(70)	(41)	(41)	–	–	–
	–	–	–	–	–	–

Movements in allowance for doubtful receivables:

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	41	41	–	–
Charge for the year	30	–	–	–
Currency realignment	(1)	*	–	–
At 31 December	70	41	–	–

* denotes amount less than $1,000.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. INTANGIBLE ASSET

	Group $'000
Cost	
At 1 January 2017	163
Currency realignment	(3)
At 31 December 2017 and 1 January 2018	160
Currency realignment	(4)
At 31 December 2018	156
Accumulated amortisation	
At 1 January 2017	163
Currency realignment	(3)
At 31 December 2017 and 1 January 2018	160
Currency realignment	(4)
At 31 December 2018	156
Net carrying amount	
At 1 January 2017, 31 December 2017 and 31 December 2018	–

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

16. GOODWILL

	Group	
	2018 $'000	**2017 $'000**
At 1 January	–	12,249
Transfer to assets of disposal group (Note 9)	–	(12,249)
At 31 December	–	–

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

On 30 November 2017, the goodwill was reclassified to assets of disposal group (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 $'000	**2017 $'000**
Unquoted shares, at cost:		
At 1 January	**78,036**	72,311
Additions during the year	**–**	5,725
At 31 December	**78,036**	78,036

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

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

a. Composition of the Group

Name of company (Country of registration)	Principal activities (Place of business)	Proportion (%) of ownership interest		
		2018	**31.12.2017**	**1.1.2017**
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	100
AsiaPhos Resources Pte. Ltd.^^ (Republic of Singapore)	Investment holding (Republic of Singapore)	**100**	100	100
APC Limited ^ (Hong Kong)	Investment holding (Hong Kong)	**100**	100	–
Held through Norwest Chemicals Pte Ltd				
Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd+ (People's Republic of China)	Exploration, mining and sale of phosphate rocks, the production and sale of phosphorus and phosphate based chemical products (People's Republic of China)	**100**	100	100
Held through AsiaPhos Resources Pte. Ltd.				
LY Resources Pte. Ltd.^^ (Republic of Singapore)	Investment holding (Republic of Singapore)	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. INVESTMENT IN SUBSIDIARIES (CONTINUED)

a. Composition of the Group (Continued)

Name of company (Country of registration)	Principal activities (Place of business)	Proportion (%) of ownership interest		
		2018	**31.12.2017**	**1.1.2017**
Held through LY Resources Pte. Ltd.				
XDL Resources Pte. Ltd.# (Republic of Singapore)	Investment holding (Republic of Singapore)	**100**	100	100
Deyang Xin Zhong Lian He Technical Consulting Co., Ltd.^ (People's Republic of China)	Mining activities, internet technology consulting services and wholesale of mineral products (People's Republic of China)	**100**	100	100
Held through XDL Resources Pte. Ltd.				
Deyang City Xianrong Technical Consulting Co., Ltd.^ (People's Republic of China)	Mining activities, internet technology consulting services, and wholesale of mineral products; and transportation services. (People's Republic of China)	**100**	100	100
Held through Deyang City Xianrong Technical Consulting Co., Ltd.				
Deyang Fengtai Mining Co., Ltd.+ (People's Republic of China)	Sale of mineral products (People's Republic of China)	**55**	55	55

\# Audited by Ernst & Young LLP, Singapore
\+ Audited by Ernst & Young Hua Ming LLP, Chengdu Branch for consolidation purpose
^ No audit is required.
^^ In the process of winding up.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to non-controlling interest during the period $'000	Accumulated non- controlling interest at the end of the reporting period $'000	Dividends paid to non-controlling interest $'000
At 1 January 2017, 31 December 2017 and 31 December 2018					
Deyang Fengtai Mining Co., Ltd.	People's Republic of China	45%	–	9,463	–

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

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

Summarised balance sheet

	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Current assets	**29,068**	29,082	1,015
Current liabilities	**(1,249)**	(1,202)	(1,161)
Net current assets/(liabilities)	**27,819**	27,880	(146)
Non-current assets	**–**	–	28,094
Non-current liabilities	**(6,995)**	(6,995)	(6,994)
Net non-current (liabilities)/assets	**(6,995)**	(6,995)	21,100
Net assets	**20,824**	20,885	20,954

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

17. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	2018 $'000	2017 $'000
Summarised statement of comprehensive income		
Loss before taxation	**(64)**	(70)
Loss after taxation representing total comprehensive income for the year	**(64)**	(70)
Other summarised information		
Net cash flows from operating activities	**(64)**	(65)
Net cash flows from financing activities	**77**	61

18. STOCKS

	Group		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Balance sheet			
Raw materials and packaging, at cost	**254**	5,871	4,431
Finished goods, at cost or net realisable value	**187**	6,264	3,510
	441	12,135	7,941
Consolidated statement of comprehensive income			
Stocks recognised as an expense in cost of sales			
– Continuing operations	**20,653**	37,275	
– Discontinued operation	**1,211**	4,949	
Stocks recognised as an expense in continuing operation			
– Inventories written down	**1,364**	–	

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

19. TRADE RECEIVABLES

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Trade receivables	**99**	827	1,320
Note receivables	**–**	158	2,655
	99	985	3,975

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Trade receivables are denominated in the functional currencies of the respective entities as at the end of the reporting period.

Note receivables

At 31 December 2018, notes receivables accepted by banks in the PRC with carrying amount of Nil (31 December 2017: $9,513,000 (approximately RMB46,450,000), 1 January 2017: $6,974,000 (approximately RMB33,465,000)) ("De-recognised Notes") were endorsed with no recourse in order to settle the trade payables to certain suppliers. The De-recognised Notes have a maturity of Nil (31 December 2017: one to five, 1 January 2017: one to five) months at the end of the reporting period. In the opinion of the directors of the Group, the Group has transferred all risks and rewards relating to the De-recognised Notes. Accordingly, the Group has derecognised the full carrying amounts of the De-recognised Notes and the associated trade payables. Notes receivables have maturity of one to eight months as at 31 December 2017 (1 January 2017: one to six).

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 2018

19. TRADE RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $786,000 and $347,000 as at 31 December 2017 and 1 January 2017, respectively, 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	
	31.12.2017	1.1.2017
	$'000	$'000
Less than one month past due	506	–
More than one month but less than three months past due	239	165
More than three months past due	41	182
	786	347

Receivables that are impaired

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

	Group	
	31.12.2017	1.1.2017
	$'000	$'000
Trade receivables – nominal amounts	52	52
Less: Allowance for doubtful trade receivables	(52)	(52)
	–	–

Movement in allowance accounts:	
At 1 January 2017	52
Currency realignment	*
At 31 December 2017	52

* denotes amount less than $1,000.

Trade receivables that are 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 2018

19. TRADE RECEIVABLES (CONTINUED)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group
	2018
	$'000
Movement in allowance accounts:	
At 1 January, as previously stated	**52**
Amount restated through opening retained earnings	**9**
At 1 January, restated	**61**
Provision (write-back)/charge for the year attributable to	
– Continuing operations	**(8)**
– Discontinued operation	**1,173**
Currency realignment	**(51)**
At 31 December	**1,175**

20. FINANCIAL ASSET HELD FOR TRADING

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Financial asset held for trading	**–**	389	–

During FY2017, the Group subscribed to a financial product with a rate of return of up to 3.7% per annum.

The Group classified the financial product as financial asset held for trading as the Group's intention was to trade the financial product for short-term profit in the near term. The Group disposed the financial product in FY2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Amounts due from subsidiaries			
– Advances	**3,735**	4,517	3,695
– Non-trade	**1,794**	1,838	79
– Interest receivable	**567**	448	264
Allowance for doubtful receivables	**(429)**	–	–
	5,667	6,803	4,038
Amounts due to subsidiaries			
– Advances	**(68)**	(98)	(653)
– Non-trade	**(2,164)**	(2,885)	(586)
	(2,232)	(2,983)	(1,239)

As at 31 December 2018, the Company has provided an allowance of $429,000 (31 December 2017: Nil, 1 January 2017: Nil) for impairment of unsecured amounts due from subsidiaries.

Amounts due from/(to) subsidiaries are unsecured, repayable on demand and are to be settled in cash. Non-trade amounts due from/(to) subsidiaries are non-interest bearing. Except for an amount of $50,000 (31 December 2017: $832,000, 1 January 2017: $30,000), interest is charged on advances made to subsidiaries at 5% per annum.

22. CASH AND BANK BALANCES

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

	Group			Company		
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Cash and bank balances	**2,455**	2,203	2,588	**413**	1,130	1,027
Less: Bank overdraft (secured)	**–**	–	(392)	**–**	–	(392)
Less: Pledged deposits	**(302)**	(1,021)	(1,184)	**–**	(1,021)	(1,015)
Cash and cash equivalents/ (bank overdrafts)	**2,153**	1,182	1,012	**413**	109	(380)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. CASH AND BANK BALANCES (CONTINUED)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits were 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 0.52% (31 December 2017: 0.66%, 1 January 2017: 0.71%) per annum.

As at 31 December 2018, pledged deposit relates to balance in a bank account which can only be used for payment of interest on bank loan (Note 25).

As at 31 December 2017, pledged deposits include amounts pledged for bank overdraft and mining activities of $1,021,000 (1 January 2017: $1,015,000) and Nil (1 January 2017: $169,000) respectively. Deposit pledged for bank overdraft facility was discharged in FY2018. Deposit pledged for mining activities was discharged in FY2017.

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

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
United States Dollar ("USD")	**94**	401	89	**15**	10	12
Euro	**49**	29	*	**49**	29	*

* denotes amount less than $1,000.

23. TRADE PAYABLES

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

Trade payables are denominated in the functional currencies of the respective entities at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. OTHER PAYABLES

	Group			Company		
	2018	**31.12.2017**	**1.1.2017**	**2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Payables related to:						
– Taxes other than income tax	**1,191**	873	1,299	**–**	–	–
– Payroll and welfare payable	**203**	459	372	**–**	–	–
– Property, plant and equipment	**242**	553	514	**–**	–	–
Other payables	**450**	1,743	1,456	**60**	84	6
Dividends on redeemable preference shares	**–**	–	189	**–**	–	–
Deposits received	**–**	633	744	**–**	–	–
Accrued liabilities	**714**	860	995	**301**	157	139
	2,800	5,121	5,569	**361**	241	145

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

Other payables were denominated in the functional currencies of the respective entities at the end of the reporting period.

25. INTEREST-BEARING BANK LOANS

	Group		
	2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Short term bank loans	**6,306**	6,963	7,086
Add: Loan due to a director (Note 26)	**–**	–	1,000
Total loans and borrowings	**6,306**	6,963	8,086

The fixed-rate bank loans are denominated in RMB, bear interest at 6.5% to 7.0% (31 December 2017: 5.5% to 6.53%, 1 January 2017: 5.0% to 6.5%) per annum and are repayable on their maturity dates in 2019 (31 December 2017: 2018, 1 January 2017: 2017).

The bank loans were secured by land use rights (Note 11), certain property, plant and equipment (Note 12) and pledged deposit (Note 22). The Company has also provided a corporate guarantee for bank loan of $4,308,000 (RMB21,561,000) (31 December 2017: $4,915,000 (RMB24,000,000), 1 January 2017: $5,002,000 (RMB24,000,000)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. INTEREST-BEARING BANK LOANS (CONTINUED)

A reconciliation of liabilities arising from the Group's financing activities is as follows:

Group	At 1 January	Cash flows	Non-cash changes		At 31 December
			Foreign exchange movement	Others	Total
	$'000	$'000	$'000	$'000	$'000
2018					
Short term bank loans	6,963	(497)	(160)	–	6,306
2017					
Short term bank loans	7,086	–	(123)	–	6,963
Loan due to a director (Note 26)	1,000	(467)	–	(533)	–
	8,086	(467)	(123)	(533)	6,963

26. LOAN DUE TO A DIRECTOR

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

In connection with the Rights cum Warrants Issue (Note 31), in addition to accepting the Rights Shares with Warrants which Dr. Ong was allocated, he subscribed for up to 30,834,847 Rights Shares with Warrants which were not taken up by the other entitled shareholders or their renouncees (the "Excess Rights") by way of excess application (subject to availability).

The loan amount was applied and set off against the subscription monies otherwise payable by Dr. Ong in respect of the subscription of the Rights Shares with Warrants and the Excess Rights. Any remaining balance of the principal amount of the Dr. Ong Loan (after payment of the aggregate subscription monies for the Rights Shares with Warrants which Dr. Ong subscribed for) was fully repaid by the Company out of a portion of the net proceeds of the Rights cum Warrants Issue.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. DEFERRED INCOME

	Group	
	2018 $'000	2017 $'000
At 1 January	**2,034**	2,237
Received during the year	**–**	–
Recognised in profit or loss during the year	**(40)**	(164)
Currency realignment	**(49)**	(39)
At 31 December	**1,945**	2,034

	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Net carrying amount:			
Current liabilities	**–**	–	35
Non-current liabilities	**1,945**	2,034	2,202
	1,945	2,034	2,237

Deferred income represented government grants received in relation to certain plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

28. DEFERRED TAX (ASSETS)/LIABILITIES

		Group	
	2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Deferred tax assets	**–**	–	(64)
Deferred tax liabilities	**17,287**	17,385	17,506
	17,287	17,385	17,442

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

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

Group	Unutilised tax losses $'000	Deferred income $'000	Unremitted foreign income $'000	Difference in depreciation for tax purpose $'000	Fair value adjustments on acquisition of subsidiary $'000	Total $'000
At 1 January 2017	(443)	(551)	379	1,581	16,476	17,442
Charge/(credit) to profit or loss during the year	443	32	(337)	(85)	(92)	(39)
Currency realignment	–	10	–	(28)	–	(18)
At 31 December 2017	–	(509)	42	1,468	16,384	17,385
Charge/(credit) to profit or loss during the year	–	10	–	(86)	–	(76)
Currency realignment	–	12	–	(34)	–	(22)
At 31 December 2018	–	(487)	42	1,348	16,384	17,287

Unrecognised tax losses and deductible temporary differences

As at 31 December 2018, the Group has tax losses and deductible temporary differences totaling approximately $13,915,000 (31 December 2017: $949,000, 1 January 2017: $903,000) to offset against future taxable profits of the companies in which the losses and temporary differences arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The tax losses have no expiry date but the use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

29. PROVISION FOR REHABILITATION

	Group	
	2018 $'000	2017 $'000
At 1 January	–	170
Additions	–	645
Currency realignment	–	(4)
Transfer to liability of disposal group (Note 9)	–	(811)
At 31 December	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. PROVISION FOR REHABILITATION (CONTINUED)

Provision was made with reference to the rehabilitation costs estimated by the local authorities in accordance to the notice from the Mianzhu Forestry Bureau. Provision for rehabilitation were reclassified to "liability of disposal group" in current liabilities on the consolidated balance sheet since 30 November 2017 (Note 9), as the liability is directly associated to the disposal group and the directors are of the view that the cost of rehabilitation will be deducted from the settlement proceeds.

30. REDEEMABLE PREFERENCE SHARES

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

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

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

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

	Group	
	2018 **$'000**	**2017** **$'000**
At 1 January	–	5,725
Redemption	–	(5,725)
At 31 December	–	–

Early redemption of 2016 RPS

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and paid-up ordinary shares				
At 1 January	**1,031,525**	**78,283**	901,319	68,151
Issue of new ordinary shares	**–**	**–**	130,206	10,416
Share issuance expenses	**–**	**–**	–	(284)
At 31 December	**1,031,525**	**78,283**	1,031,525	78,283

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

Rights cum Warrants Issue

On 30 December 2016, the Company announced a renounceable non-underwritten rights issue (the "Rights cum Warrants Issue") of up to 112,664,875 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of $0.08 for each Rights Share, with up to 112,664,875 free detachable and transferable warrants (the "Warrants"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at the exercise price of $0.08 for each New Share ("Exercise Price"), on the basis of one (1) Rights Share with one (1) Warrant for every eight (8) existing ordinary shares in the capital of the Company ("Shares") held by the shareholders of the Company.

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

Principal Terms of the Warrants

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

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

In FY2017, pursuant to the exercise of 17,540,810 Warrants, the Company issued 17,540,810 New Shares for cash consideration of $1,403,000. No Warrants were exercised in FY2018. Accordingly, as at 31 December 2018 and 2017, the Company has 95,124,065 outstanding Warrants, exercisable into 95,124,065 New Shares.

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32. RESERVES

	Group			Company		
	2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Retained earnings	**(5,687)**	9,569	9,517	**3,352**	4,799	6,544
Foreign currency translation reserve	**619**	1,483	2,234	**–**	–	–
Merger reserve	**850**	850	850	**–**	–	–
Safety fund surplus reserve	**1,550**	1,018	856	**–**	–	–
	(2,668)	12,920	13,457	**3,352**	4,799	6,544

(a) *Foreign currency translation reserve*

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

(b) *Merger reserve*

Merger reserve arose from the restructuring exercise involving entities under common control which took place in 2013 and represented the difference between the consideration paid and the equity acquired under the pooling of interest method. All assets and liabilities acquired by the Group were recorded at their carrying values at the date of acquisition.

(c) *Safety fund surplus reserve*

In accordance with the Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, a PRC subsidiary is required to make appropriation to a Safety Fund Surplus Reserve based on the volume of mineral ore extracted and revenue of elemental phosphorus sold in the previous financial year. The reserve can only be transferred to retained earnings to offset safety related expenses as and when incurred, including expenses related to safety production facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

NOTES TO THE FINANCIAL STATEMENTS

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33. (LOSS)/EARNINGS PER SHARE

(a) (Loss)/earnings per share computations

The basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic (loss)/earnings per share computation, and by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares, respectively.

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

		Group	
	Loss from continuing operations, net of tax $'000	**(Loss)/ profit from discontinued operation, net of tax $'000**	**(Loss)/profit for the year $'000**
2018	(13,906)	(809)	(14,715)
2017	(540)	754	214

	Group	
	2018 '000	**2017 '000**
Weighted average number of ordinary shares for basic (loss)/earnings per share computation	**1,031,525**	996,745
Effects of dilution		
– exercise of Warrants	–	7,788
Weighted average number of ordinary shares for diluted (loss)/earnings per share computation	**1,031,525**	1,004,533

(b) Continuing operations

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

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33. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(c) Discontinued operation

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

34. SEGMENT INFORMATION

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

(a) The upstream segment is in the business of exploration, mining and sale of phosphate rocks. As discussions are in progress with the Chinese Government, the upstream segment had been presented as discontinued operation; and

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

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

The Chief Operating Decision Maker monitors the operating results of its product units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. However, the information on additions to mine properties, land use rights and property, plant and equipment by operating segments is regularly provided to the Chief Operating Decision Maker.

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For the financial year ended 31 December 2018

34. SEGMENT INFORMATION (CONTINUED)

	Upstream (discontinued)		Downstream		Adjustments and eliminations			Per consolidated financial statements	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	Note	2018 $'000	2017 $'000
Consolidated statement of comprehensive income									
Revenue – external	**2,064**	6,990	**21,528**	44,085	**(2,064)**	(6,990)	A, B	**21,528**	44,085
Loss on disposal of property, plant and equipment	**–**	–	**(94)**	–	**–**	(14)	C	**(94)**	(14)
Depreciation and amortisation expense	**–**	(1,778)	**(823)**	(1,529)	**(230)**	1,440	B, C	**(1,053)**	(1,867)
Interest income	**–**	–	**–**	–	**8**	12	C	**8**	12
Interest expense	**(64)**	(59)	**–**	–	**(394)**	(397)	B, C	**(458)**	(456)
Fair value gains on financial asset held for trading	**–**	–	**–**	–	**2**	34	C	**2**	34
Termination of services of employees	**(21)**	(101)	**(462)**	–	**(68)**	101	B, C	**(551)**	–
Provision made for impairment of property, plant and equipment	**–**	–	**(6,087)**	–	**(1,571)**	–	C	**(7,658)**	–
Provision made for doubtful debts, net	**(1,173)**	–	**8**	–	**1,143**	–	B, C	**(22)**	–
Segment (loss)/profit before tax	**(809)**	1,010	**(8,449)**	5,285	**(4,732)**	(6,329)	D	**(13,990)**	(34)
Assets									
Additions to non-current assets	**–**	2,864	**–**	374	**50**	9	E	**50**	3,247

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

A There were no inter-segment revenue.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. SEGMENT INFORMATION (CONTINUED)

C Adjustments relate to unallocated corporate income and expenses.

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

	Group	
	2018 **$'000**	**2017** **$'000**
Segment results of discontinued operation	**809**	(1,010)
Loss on disposal of property, plant and equipment	**–**	(14)
Interest income	**8**	12
Government grant and subsidy income	**51**	37
Gains on financial asset held for trading	**2**	34
Exchange gain	**170**	45
Termination of services of employees	**(89)**	–
Provision for impairment on property, plant and equipment	**(1,571)**	–
Interest expense	**(458)**	(456)
Other corporate expenses	**(3,654)**	(4,977)
	(4,732)	(6,329)

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

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

Geographical information

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

	Group				
	Revenue		Non-current assets		
	2018 **$'000**	**2017** **$'000**	**2018** **$'000**	**31.12.2017** **$'000**	**1.1.2017** **$'000**
People's Republic of China	**22,610**	49,661	**20,769**	30,128	121,236
Singapore	**–**	–	**114**	125	340
Others	**982**	1,414	**–**	–	–
	23,592	51,075	**20,883**	30,253	121,576
Less: discontinued operation	**(2,064)**	(6,990)	**–**	–	–
Total	**21,528**	44,085	**20,883**	30,253	121,576

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. SEGMENT INFORMATION (CONTINUED)

Information about major customers

There was no single customer whose sales represent more than 10% of the total Group's revenue in FY2018 and FY2017.

Information about products

Revenue information based on products is as follows:

	Group	
	2018 $'000	2017 $'000
Elemental phosphorus and its by-products	**19,912**	42,234
Sodium Tripolyphosphate	**1,187**	1,083
Sodium Hexametaphosphate	**104**	504
Others*	**325**	264
Revenue from continuing operations	**21,528**	44,085
Revenue from discontinued operation	**2,064**	6,990
	23,592	51,075

* Others represent trading revenue from other phosphate chemicals.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

	Group	
	2018 $'000	2017 $'000
Short-term employee benefits	**1,156**	1,314
Central Provident Fund contributions	**47**	48
	1,203	1,362
Comprise amounts paid to:		
Directors of the Company	**677**	814
Other key management personnel	**526**	548
	1,203	1,362

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with key management personnel

(a) Interest expense relating to the 2016 RPS paid and payable to Dr. Ong and Astute Ventures amounted to Nil (2017: $78,000). On 24 March 2017, the 2016 RPS issued to Dr. Ong and Astute Ventures were settled via issuance of Rights Shares.

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group's overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management in accordance with the prevailing economic and operating conditions. The Board of Directors reviews and agrees on risk management policies, which are executed by the management. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Credit risk*** (Continued)

The Group maintains strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments within 30 days after they fall due.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Actual or significant adverse changes in business, financial and economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– Actual or expected significant changes in the operating results of the borrower;

– Significant changes in the expected performance and behaviour of the borrower, including changes in payment status of borrowers and changes in operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower; or

– A breach of contract, such as a default or past due event; or

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The expected credit losses also incorporate forward looking information such as forecast of economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Credit risk*** (Continued)

Trade receivables (Continued)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix.

31.12.2018	**Current**	**Less than 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**More than 91 days past due**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount	24	15	2	15	1,218	1,274
Loss allowance provision	–	*	*	*	1,175	1,175

* denotes amount less than $1,000.

Information regarding loss allowance movement of trade receivables are disclosed in Note 19.

Exposure to credit risk

The carrying amounts of financial assets disclosed in Note 37 represent the Group's maximum exposure to credit risk.

Credit risk concentration profile

Concentrations of credit risk are managed by customers 86% (31 December 2017: 93%, 1 January 2017: 87%) as of the Group's trade receivables were due from 5 customers at the end of the reporting period.

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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

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

Group	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
2018				
Financial assets				
Trade receivables	**99**	**–**	**–**	**99**
Other receivables	**232**	**34**	**–**	**266**
Cash and bank balances	**2,455**	**–**	**–**	**2,455**
Total undiscounted financial assets	**2,786**	**34**	**–**	**2,820**
Financial liabilities				
Trade payables	**(73)**	**–**	**–**	**(73)**
Other payables	**(2,800)**	**–**	**–**	**(2,800)**
Interest-bearing bank loans	**(6,593)**	**–**	**–**	**(6,593)**
Total undiscounted financial liabilities	**(9,466)**	**–**	**–**	**(9,466)**
Total net undiscounted financial (liabilities)/assets	**(6,680)**	**34**	**–**	**(6,646)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Group	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
31.12.2017				
Financial assets				
Trade receivables	985	–	–	985
Other receivables	379	34	–	413
Financial asset held for trading	389	–	–	389
Cash and bank balances	2,203	–	–	2,203
Total undiscounted financial assets	3,956	34	–	3,990
Financial liabilities				
Trade payables	(4,439)	–	–	(4,439)
Other payables	(5,121)	–	–	(5,121)
Interest-bearing bank loans	(7,206)	–	–	(7,206)
Total undiscounted financial liabilities	(16,766)	–	–	(16,766)
Total net undiscounted financial (liabilities)/assets	(12,810)	34	–	(12,776)
1.1.2017				
Financial assets				
Trade receivables	3,975	–	–	3,975
Other receivables	601	28	257	886
Cash and bank balances	2,588	–	–	2,588
Total undiscounted financial assets	7,164	28	257	7,449
Financial liabilities				
Bank overdraft (secured)	(392)	–	–	(392)
Trade payables	(6,022)	–	–	(6,022)
Other payables	(5,569)	–	–	(5,569)
Redeemable preference shares	–	(7,595)	–	(7,595)
Loan due to a director	(1,000)	–	–	(1,000)
Interest-bearing bank loans	(7,218)	–	–	(7,218)
Total undiscounted financial liabilities	(20,201)	(7,595)	–	(27,796)
Total net undiscounted financial (liabilities)/assets	(13,037)	(7,567)	257	(20,347)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk*** (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Company	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
2018				
Financial assets				
Other receivables	**5**	**–**	**–**	**5**
Amounts due from subsidiaries	**5,667**	**–**	**–**	**5,667**
Cash and bank balances	**413**	**–**	**–**	**413**
Total undiscounted financial assets	**6,085**	**–**	**–**	**6,085**
Financial liabilities				
Other payables	**(361)**	**–**	**–**	**(361)**
Amounts due to subsidiaries	**(2,232)**	**–**	**–**	**(2,232)**
Total undiscounted financial liabilities	**(2,593)**	**–**	**–**	**(2,593)**
Total net undiscounted financial assets	**3,492**	**–**	**–**	**3,492**
31.12.2017				
Financial assets				
Other receivables	55	–	–	55
Amounts due from subsidiaries	6,803	–	–	6,803
Cash and bank balances	1,130	–	–	1,130
Total undiscounted financial assets	7,988	–	–	7,988
Financial liabilities				
Other payables	(241)	–	–	(241)
Amounts due to subsidiaries	(2,983)	–	–	(2,983)
Total undiscounted financial liabilities	(3,224)	–	–	(3,224)
Total net undiscounted financial assets	4,764	–	–	4,764

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Company	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
1.1.2017				
Financial assets				
Other receivables	57	–	–	57
Amounts due from subsidiaries	4,038	–	–	4,038
Cash and bank balances	1,027	–	–	1,027
Total undiscounted financial assets	5,122	–	–	5,122
Financial liabilities				
Bank overdraft (secured)	(392)	–	–	(392)
Other payables	(145)	–	–	(145)
Loan due to a director	(1,000)	–	–	(1,000)
Amounts due to subsidiaries	(1,239)	–	–	(1,239)
Total undiscounted financial liabilities	(2,776)	–	–	(2,776)
Total net undiscounted financial assets	2,346	–	–	2,346

(c) *Foreign currency risk*

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

In FY2018, approximately 4% (2017: 3%) of the Group's sales were denominated in USD whilst almost 100% of operating costs were denominated in the respective functional currencies of the Group's entities. Amount denominated in currency other than the functional currencies of the respective entities at the end of reporting period are disclosed in Note 14 and 22. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the risk is monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (Continued)

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

The Group's exposure to the risk of changes in foreign exchange rates mainly arises from RMB denominated balances held by Singapore entities within the Group and SGD denominated balances held by a PRC subsidiary. At 31 December 2018, if RMB strengthened/weakened against Singapore Dollar by 5% (2017: 5%), with all other variables held constant, the Group's net loss before tax would have increased/decreased by $403,000 (2017: net profit before tax decreased/increased by $344,000).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

Classification of financial instruments

Group	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Non- financial assets/ (liabilities) $'000	Total $'000
2018				
Assets				
Land use rights	–	–	4,163	4,163
Property, plant and equipment	–	–	16,007	16,007
Prepayments	–	–	1,196	1,196
Other receivables	266	–	–	266
Stocks	–	–	441	441
Trade receivables	99	–	–	99
Cash and bank balances	2,455	–	–	2,455
Assets of disposal group	–	–	89,795	89,795
	2,820	–	111,602	114,422
Liabilities				
Trade payables	–	(73)	–	(73)
Other payables	–	(2,800)	–	(2,800)
Advances from customers	–	–	(93)	(93)
Interest bearing bank loans	–	(6,306)	–	(6,306)
Liability of disposal group	–	–	(795)	(795)
Deferred tax liabilities	–	–	(17,287)	(17,287)
Deferred income	–	–	(1,945)	(1,945)
Provision for reinstatement cost	–	–	(45)	(45)
	–	(9,179)	(20,165)	(29,344)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Classification of financial instruments (Continued)

Group	Financial assets measured at fair value through profit or loss $'000	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ (liabilities) $'000	Total $'000
31.12.2017					
Assets					
Land use rights	–	–	–	4,362	4,362
Property, plant and equipment	–	–	–	25,162	25,162
Prepayments	–	–	–	2,869	2,869
Other receivables	–	413	–	–	413
Stocks	–	–	–	12,135	12,135
Trade receivables	–	985	–	–	985
Financial asset held for trading	389	–	–	–	389
Cash and bank balances	–	2,203	–	–	2,203
Assets of disposal group	–	–	–	90,110	90,110
	389	3,601	–	134,638	138,628
Liabilities					
Trade payables	–	–	(4,439)	–	(4,439)
Other payables	–	–	(5,121)	–	(5,121)
Advances from customers	–	–	–	(492)	(492)
Interest bearing bank loans	–	–	(6,963)	–	(6,963)
Provision for taxation	–	–	–	(713)	(713)
Liability of disposal group	–	–	–	(815)	(815)
Deferred tax liabilities	–	–	–	(17,385)	(17,385)
Deferred income	–	–	–	(2,034)	(2,034)
	–	–	(16,523)	(21,439)	(37,962)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Classification of financial instruments (Continued)

Group	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Non-financial assets/ (liabilities) $'000	Total $'000
1.1.2017				
Assets				
Mine properties	–	–	65,133	65,133
Land use rights	–	–	4,535	4,535
Property, plant and equipment	–	–	38,619	38,619
Prepayments	–	–	1,799	1,799
Other receivables	886	–	–	886
Goodwill	–	–	12,249	12,249
Deferred tax asset	–	–	64	64
Stocks	–	–	7,941	7,941
Trade receivables	3,975	–	–	3,975
Cash and bank balances	2,588	–	–	2,588
	7,449	–	130,340	137,789
Liabilities				
Bank overdraft (secured)	–	(392)	–	(392)
Trade payables	–	(6,022)	–	(6,022)
Other payables	–	(5,569)	–	(5,569)
Advances from customers	–	–	(455)	(455)
Interest bearing bank loans	–	(7,086)	–	(7,086)
Provision for taxation	–	–	(556)	(556)
Redeemable preference shares	–	(5,725)	–	(5,725)
Loan due to a director	–	(1,000)	–	(1,000)
Deferred tax liabilities	–	–	(17,506)	(17,506)
Deferred income	–	–	(2,237)	(2,237)
Provision for rehabilitation	–	–	(170)	(170)
	–	(25,794)	(20,924)	(46,718)

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For the financial year ended 31 December 2018

37. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Classification of financial instruments (Continued)

Company	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Non-financial assets $'000	Total $'000
2018				
Assets				
Investment in subsidiaries	–	–	78,036	78,036
Other receivables	5	–	–	5
Prepayments	–	–	107	107
Amounts due from subsidiaries	5,667	–	–	5,667
Cash and bank balances	413	–	–	413
	6,085	–	78,143	84,228
Liabilities				
Other payables	–	(361)	–	(361)
Amounts due to subsidiaries	–	(2,232)	–	(2,232)
	–	(2,593)	–	(2,593)
31.12.2017				
Assets				
Investment in subsidiaries	–	–	78,036	78,036
Other receivables	55	–	–	55
Prepayments	–	–	282	282
Amounts due from subsidiaries	6,803	–	–	6,803
Cash and bank balances	1,130	–	–	1,130
	7,988	–	78,318	86,306
Liabilities				
Other payables	–	(241)	–	(241)
Amounts due to subsidiaries	–	(2,983)	–	(2,983)
	–	(3,224)	–	(3,224)

NOTES TO THE FINANCIAL STATEMENTS

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37. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Classification of financial instruments (Continued)

Company	**Financial assets at amortised cost $'000**	**Financial liabilities at amortised cost $'000**	**Non-financial assets $'000**	**Total $'000**
1.1.2017				
Assets				
Investment in subsidiaries	–	–	72,311	72,311
Other receivables	57	–	–	57
Prepayments	–	–	38	38
Amounts due from subsidiaries	4,038	–	–	4,038
Cash and bank balances	1,027	–	–	1,027
	5,122	–	72,349	77,471
Liabilities				
Bank overdraft (secured)	–	(392)	–	(392)
Other payables	–	(145)	–	(145)
Loan due to a director	–	(1,000)	–	(1,000)
Amounts due to subsidiaries	–	(1,239)	–	(1,239)
	–	(2,776)	–	(2,776)

38. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. COMMITMENTS

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 11, the Group has entered into operating leases on its office premises. These leases for the office premise were negotiated for terms of one to three years and certain leases have renewal options. Lease terms do not provide for contingent rents and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

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

	Group		
	2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Not later than one year	**134**	134	79
Later than one year but not later than five years	**73**	207	–
	207	341	79

Minimum lease payments excluding amortisation of land use rights recognised as an expense in profit or loss amounted to $127,000 (31 December 2017: $116,000, 1 January 2017: $112,000).

(b) Corporate guarantee

The Company has provided a corporate guarantee for a bank loan of $4,308,000 (RMB21,561,000) (31 December 2017: $4,915,000 (RMB24,000,000), 1 January 2017: $5,002,000 (RMB24,000,000)) (Note 25) drawn down by a subsidiary.

40. CAPITAL MANAGEMENT

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives or processes during FY2018 and FY2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

40. CAPITAL MANAGEMENT (CONTINUED)

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, trade and other payables, advances from customers, interest-bearing bank loans, less cash and bank balances. Capital includes equity attributable to the owners of the Company, excluding non-controlling interest. In FY2018, the capital management policy of the Group is to keep the gearing ratio below 40% (2017: 40%).

	Group	
	2018 **$'000**	**2017** **$'000**
Trade payables	**73**	4,439
Other payables	**2,800**	5,121
Advances from customers	**93**	492
Interest-bearing bank loans	**6,306**	6,963
Less: Cash and bank balances	**(2,455)**	(2,203)
Net debt	**6,817**	14,812
Total capital	**75,615**	91,203
Capital and net debt	**82,432**	106,015
Gearing ratio	**8%**	14%

41. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) *Interest-bearing bank loans*

In January 2019, the Group has successfully rolled over two existing interest-bearing bank loans which were due in January 2019. The principal value of the loans is $1,998,000 (RMB10,000,000), with interest of 6.5% per annum. The new loans will expire in January 2020.

(b) *Receipt of notice of claim from former employees*

On 7 March 2019, the Company's wholly-owned subsidiary, Sichuan Mianzhu Norwest Phosphate Chemical Co., Ltd. ("Mianzhu Norwest") received a notice of claim (the "Notice of Claim") issued by the Mianzhu Municipal People's Court which was filed by 20 former employees of Mianzhu Norwest who had resigned sometime in FY2018. In the Notice of Claim, the 20 former employees are claiming severance pay amounting to $373,000 (RMB1.84 million).

Mianzhu Norwest's lawyers have advised that there are no merits to the claim and Mianzhu Norwest will be defending the claim accordingly. As such, no provision for any liability has been made in these financial statements.

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 3 April 2019.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 13 March 2019)

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

Notes:

(1) Based on the issued share capital of 1,031,524,685 ordinary shares in the capital of the Company ("**Shares**") as at 13 March 2019.

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

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

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

STATISTICS OF SHAREHOLDINGS

As at 13 March 2019

Issued and fully paid-up capital	:	S$78,283,169
Number of ordinary shares in issue (excluding treasury shares and subsidiary holdings)	:	1,031,524,685
Number of treasury shares held	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary
Voting rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	6	0.56	132	0.00
100 – 1,000	31	2.92	19,100	0.00
1,001 – 10,000	138	13.01	932,287	0.09
10,001 – 1,000,000	813	76.63	133,299,690	12.92
1,000,001 AND ABOVE	73	6.88	897,273,476	86.99
TOTAL	**1,061**	**100.00**	**1,031,524,685**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ASTUTE VENTURES PTE LTD	270,025,455	26.18
2	FICA (PTE) LTD	230,653,636	22.36
3	LUO YONG	62,277,900	6.04
4	WYY INVESTMENT HOLDINGS PTE LTD	44,985,861	4.36
5	ONG BEE PHENG (WANG MEIPING)	33,084,041	3.21
6	RAFFLES NOMINEES (PTE.) LIMITED	18,538,450	1.80
7	HWA HONG EDIBLE OIL INDUSTRIES PTE LTD	11,720,642	1.14
8	GRACE KONG SOU HUI	11,484,041	1.11
9	UOB KAY HIAN PRIVATE LIMITED	10,571,400	1.02
10	WATERWORTH PTE LTD	10,000,000	0.97
11	WONG LAI LENG SERENE	9,700,000	0.94
12	ONG HIAN ENG	9,024,394	0.87
13	KOH LI HAN ERIC (XU LIHAN)	8,962,400	0.87
14	CITIBANK NOMINEES SINGAPORE PTE LTD	8,895,161	0.86
15	KONG SOU YAN	8,825,800	0.86
16	DBS NOMINEES (PRIVATE) LIMITED	8,768,841	0.85
17	OCBC SECURITIES PRIVATE LIMITED	6,889,725	0.67
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,567,238	0.54
19	ONG BEE KUAN MELISSA (WANG MEIJUAN MELISSA)	5,367,190	0.52
20	PHILLIP SECURITIES PTE LTD	5,013,650	0.49
	TOTAL	**780,355,825**	**75.66**

STATISTICS OF SHAREHOLDINGS

As at 13 March 2019

PUBLIC FLOAT

Based on the information available to the Company as at 13 March 2019, approximately 32.36% of the issued ordinary shares (excluding treasury shares and subsidiary holdings) of the Company is held by the public. Accordingly the Company has complied with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

STATISTICS OF WARRANTHOLDINGS

As at 13 March 2019

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	6	2.16	209	0.00
100 – 1,000	6	2.16	3,475	0.00
1,001 – 10,000	73	26.26	403,431	0.43
10,001 – 1,000,000	169	60.79	23,792,165	25.01
1,000,001 AND ABOVE	24	8.63	70,924,785	74.56
TOTAL	**278**	**100.00**	**95,124,065**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	ONG AH WHATT	10,000,000	10.51
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,000,000	7.36
3	OCBC SECURITIES PRIVATE LIMITED	6,702,425	7.05
4	STANLEY TANG CHONG NGAM	3,860,000	4.06
5	ONG BEE PHENG (WANG MEIPING)	3,676,004	3.86
6	NEO KIM KUEK	3,400,000	3.57
7	PHILLIP SECURITIES PTE LTD	3,337,850	3.51
8	LI LIQIN	3,033,300	3.19
9	UOB KAY HIAN PRIVATE LIMITED	3,004,900	3.16
10	LEE SOO HIAN JAMES	2,800,000	2.94
11	TEO CHIANG CHAI	2,500,000	2.63
12	LIN GUINU	2,482,400	2.61
13	NG CHIT BER	2,300,000	2.42
14	MAHTANI BHAGWANDAS	2,250,000	2.37
15	CHUA PHECK KIANG RINA	1,900,000	2.00
16	RAFFLES NOMINEES (PTE.) LIMITED	1,822,688	1.92
17	ONG ENG KEONG (WANG RONGKANG)	1,651,004	1.74
18	HENG PAUL STEPHEN	1,624,000	1.71
19	PAUL GO KIAN LEE	1,623,500	1.71
20	CHEN WENYING	1,600,000	1.68
	TOTAL	**66,568,071**	**70.00**

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 Tuesday, 30 April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the audited financial statements of the Company for the financial year ended 31 December 2018 together with the Auditor's Report.

   (Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 88 of the Constitution of the Company:

   Mr Ong Eng Hock Simon **(Resolution 2)**
   Mr Francis Lee Fook Wah **(Resolution 3)**
   [See Explanatory Note (i)]

   Mr Ong Eng Hock Simon will, upon re-election as Director of the Company, remain as Executive Director of the Company and will be considered non-independent.

   Mr Francis Lee Fook Wah will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees and will be considered independent.

3. To approve the payment of Directors' fees of S$216,000 for the financial year ending 31 December 2019, payable quarterly in arrears. (2018: S$240,000)

   (Resolution 4)

4. To re-appoint Ernst & Young LLP as the Auditor of the Company and to authorise the Directors of the Company to fix its remuneration.

   (Resolution 5)

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

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

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

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

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued including, but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) to be issued pursuant to this Ordinary Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Ordinary Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

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

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

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

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

That pursuant to Section 161 of the Companies Act, the Directors be authorised and empowered to grant awards in accordance with the provisions of the AsiaPhos Performance Share Plan and to allot and issue from time to time, such number of Shares as may be required to be issued pursuant to the vesting of awards under the AsiaPhos Performance Share Plan, provided always that the aggregate number of Shares issued and issuable pursuant to vesting of awards granted under the AsiaPhos Performance Share Plan, when added to (i) the number of Shares issued and issuable in respect of all awards granted or awarded thereunder; and (ii) all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive scheme or share plan adopted by the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding the relevant date of the award.

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

NOTICE OF ANNUAL GENERAL MEETING

8. Renewal of Share Buyback Mandate

That:

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

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

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

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

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

(i) the date on which the next AGM of the Company is held or required by law to be held (whereupon it will lapse, unless renewed at such meeting);(ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company at general meeting (if so varied or revoked prior to the next AGM); or

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(c) for purposes of this ordinary resolution:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

(i) in the case of a Market Purchase, 105.0% of the Average Closing Price; and

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

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

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

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

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

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

By Order of the Board

Ngiam May Ling
Company Secretary
Singapore,
12 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolutions 2 and 3 are for the re-election of Mr Ong Eng Hock Simon and Mr Francis Lee Fook Wah respectively, being Directors of the Company who retire by rotation at the Annual General Meeting. For more information on the Directors, please refer to the sections entitled "Board of Directors", "Corporate Governance Report" and "Additional Information on Directors seeking Re-election" in the Annual Report 2018.

(ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

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

(iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the AsiaPhos Performance Share Plan in accordance with the provisions of the AsiaPhos Performance Share Plan and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the awards under the AsiaPhos Performance Share Plan subject to the maximum number of Shares prescribed under the terms and conditions of the AsiaPhos Performance Share Plan.

The aggregate number of Shares which may be allotted and issued pursuant to the AsiaPhos Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force is limited to fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time. This authority is in addition to the general authority to issue Shares sought under Ordinary Resolution 6 in item 6 above.

(iv) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buyback Mandate. This authority will continue in force until the date on which the next AGM of the Company is held or required by law to be held (whereupon it will lapse, unless renewed at such meeting), the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company at general meeting (if so varied or revoked prior to the next AGM) or the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, whichever is the earliest. Information relating to this proposed Resolution is set out in the Appendix to the Annual Report 2018.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

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

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

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

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice. The contact person for the Sponsor is Mr Liau H.K..
Telephone number: +65 6221 0271

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

PROXY FORM

IMPORTANT:

Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.

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 12 April 2019.

I/We (Name) ____________________ (NRIC/Passport/UEN No.) ____________

of (Address) ____________________

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

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

and/or (delete as appropriate)*

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Edelweiss Room (Level 3), Aperia, 10 Kallang Avenue, Singapore 339510 on Tuesday, 30 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	**Resolutions Relating to:**	**Number of Votes For ^**	**Number of Votes Against ^**
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr Ong Eng Hock Simon as a Director of the Company		
3	Re-election of Mr Francis Lee Fook Wah as a Director of the Company		
4	Approval of Directors' fees amounting to S$216,000 for the financial year ending 31 December 2019, payable quarterly in arrears		
5	Re-appointment of Ernst & Young LLP as the Auditor of the Company and to authorise the Directors of the Company to fix its remuneration		
6	Authority to issue ordinary shares in the capital of the Company and/or instruments		
7	Authority to allot and issue shares under the AsiaPhos Performance Share Plan		
8	Renewal of the Share Buyback Mandate		

^ *Voting will be conducted by poll. 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 ______________ 2019

Total Number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

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

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his 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 the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of Companies Act, Chapter 50 of Singapore.

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

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. 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 Meeting.

5. 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 Meeting.

6. 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.

7. 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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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

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 (including any related attachment). 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 Meeting, 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
Ngiam May Ling

REGISTERED OFFICE
50 Raffles Place
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Singapore 048623

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Singapore 068914

AUDITORS
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One Raffles Quay
North Tower
Level 18
Singapore 048583

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

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

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

China Bohai Bank
渤海银行
四川省德阳市旌阳区
天山南路二段162号
162, Section 2
Tianshannanlu Jingyang Zone
Deyang City
Sichuan Province
People's Republic of China 618000

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