



ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

This quarterly results announcement is mandatory, made pursuant to SGX-ST's requirements, as required under Listing Rule 705(2C).

Background of the Company

AsiaPhos Limited (the “**Company**”), and together with its subsidiaries, (the “**Group**”) was listed on the Catalist Board (the “**Catalist**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 7 October 2013.

As disclosed in the Group's announcements dated 24 November 2017, 30 November 2017, 4 December 2017, 9 February 2018, 10 April 2018, 22 June 2018, 29 August 2018, 31 August 2018, 15 November 2018, 20 December 2018, 8 May 2019, 10 January 2020 and 11 August 2020, 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, the non-renewal of the Mine 1 mining and exploration licenses and the non-renewal of the Fengtai Mine exploration license

To date, while the Group has made continuous efforts in good faith to reach an amicable settlement with the Chinese Government, without success as the Chinese Government has not accepted any of the Group's proposals and has not made any counter-proposal.

On 7 August 2020, the Group's lawyers have submitted a Request for Arbitration to the Chinese Government. The Group continues to be open to consider any compensation proposal from the Chinese Government.

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 statement.



**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF RESULTS FOR
THIRD QUARTER ENDED 30 SEPTEMBER 2020**

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

	Group					
	Third Quarter Ended 30 September			Nine Months Ended 30 September		
	2020 \$'000	2019 \$'000	Change %	2020 \$'000	2019 \$'000	Change %
					ok	
Continuing operations						
Revenue	174	324	(46)	546	608	(10)
Cost of sales	(161)	(259)	(38)	(484)	(479)	1
Gross profit	13	65	(80)	62	129	(52)
Other income	107	110	(3)	417	275	52
Selling and distribution costs	(9)	(42)	(79)	(47)	(144)	(67)
General and administrative costs	(293)	(335)	(13)	(1,674)	(2,170)	(23)
Finance costs	(115)	(111)	4	(358)	(358)	-
Loss before tax, from continuing operations	(297)	(313)	(5)	(1,600)	(2,268)	(29)
Taxation	-	-	-	-	39	(100)
Loss from continuing operations, net of tax	(297)	(313)	(5)	(1,600)	(2,229)	(28)
Discontinued operation						
Profit/(loss) from discontinued operation, net of tax	297	89	234	621	(63)	N.M.
Loss for the period	-	(224)	(100)	(979)	(2,292)	(57)
Other comprehensive income						
Items that may be recycled to profit or loss						
Foreign currency translation gain/(loss)	(65)	(324)	(80)	339	(773)	N.M.
Total comprehensive income for the period	(65)	(548)	(88)	(640)	(3,065)	(79)
Net profit/(loss) for the period attributable to:						
Owners of the Company						
Loss from continuing operations, net of tax	(297)	(313)	(5)	(1,600)	(2,229)	(28)
Profit/(loss) from discontinued operation, net of tax	297	89	234	621	(63)	N.M.
	-	(224)	(100)	(979)	(2,292)	(57)
Non-controlling interest						
Profit/(loss) from continuing operations, net of tax	-	-	-	-	-	-
Profit/(loss) from discontinued operation, net of tax	-	-	-	-	-	-
	-	-	-	-	-	-
Profit/(loss) for the period	-	(224)	(100)	(979)	(2,292)	(57)
Total comprehensive income for the period attributable to:						
Owners of the Company	(65)	(548)	(88)	(640)	(3,065)	(79)
Non-controlling interest	-	-	-	-	-	-
	(65)	(548)	(88)	(640)	(3,065)	(79)
Attributable to owners of the Company						
Total comprehensive income for the period from continuing operations	(362)	(637)	(43)	(1,261)	(3,002)	(58)
Total comprehensive income for the period from discontinued operation	297	89	234	621	(63)	N.M.
	(65)	(548)	(88)	(640)	(3,065)	(79)

“N.M.” denotes not meaningful.



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

Foreign currency translation gain/loss

Foreign currency translation loss decreased by \$0.26 million, from \$0.32 million in 3Q2019 to \$0.06 million in 3Q2020, and foreign currency translation gain of \$339,000 in 9M2020 and foreign currency translation loss of \$773,000 in 9M2019 mainly due to strengthening of RMB against SGD.

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

The Group’s net profit/(loss) for the period was arrived at after (charging)/crediting the following:

	Group					
	Third Quarter Ended 30 September			Nine Months Ended 30 September		
	2020	2019	Change	2020	2019	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income	-	-	-	2	7	(71)
Interest income on late payment by customer	105	-	100	105	-	100
Government grants	20	-	-	52	-	-
Interest expenses	(109)	(109)	-	(328)	(332)	(1)
Interest on loan from director	(13)	-	100	(26)	-	100
Amortisation and depreciation						
- continuing operations #	(171)	(78)	119	(573)	(394)	45
Provision for doubtful debts (made)/written back						
- continuing operations *	-	10	(100)	-	1	(100)
- discontinued operation	297	85	249	621	71	775
Staff termination costs						
- continuing operations *	-	-	-	-	(321)	(100)
(Loss)/gain on disposal of property, plant and equipment	-	19	(100)	8	45	(82)
Foreign exchange gain/(loss) *	554	70	691	474	184	158

“N.M.” denotes not meaningful.

“**” Included in general and administrative costs.

“##” Included in selling and distribution costs and general and administrative costs.

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

	Group		Company	
	As at		As at	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
<u>Non-current assets</u>				
Right-of-use asset	4,618	4,519	-	-
Property, plant and equipment	13,636	13,501	-	-
Prepayments	166	159	-	-
Other receivables	-	34	-	-
Investment in subsidiary	-	-	45,449	45,449
	18,420	18,213	45,449	45,449
<u>Current assets</u>				
Stocks	149	80	-	-
Trade receivables	24	40	-	-
Other receivables and prepayments	588	393	103	40
Cash and bank balances	609	881	22	67
Assets of disposal group	89,655	89,196	-	-
Amounts due from subsidiary	-	-	207	52
	91,025	90,590	332	159
Total assets	109,445	108,803	45,781	45,608
<u>Current liabilities</u>				
Trade payables	86	67	-	-
Other payables	2,887	2,540	319	240
Contract liabilities	187	209	-	-
Interest-bearing bank loans	6,240	6,004	-	-
Loan due to a director	750	200	750	200
Provision for taxation	45	45	-	-
Lease liability	84	66	-	-
Liability of disposal group	799	769	-	-
Amounts due to subsidiary	-	-	2,980	2,696
	11,078	9,900	4,049	3,136
Net current assets/(liabilities)	79,947	80,690	(3,717)	(2,977)
<u>Non-current liabilities</u>				
Deferred tax liabilities	17,275	17,245	-	-
Deferred income	1,956	1,882	-	-
Provision for reinstatement cost	45	45	-	-
	19,276	19,172	-	-
Total liabilities	30,354	29,072	4,049	3,136
Net assets	79,091	79,731	41,732	42,472
<u>Equity attributable to owners of the Company</u>				
Share capital	78,283	78,283	78,283	78,283
Reserves	(8,655)	(8,015)	(36,551)	(35,811)
	69,628	70,268	41,732	42,472
Non-controlling interest	9,463	9,463	-	-
Total equity	79,091	79,731	41,732	42,472

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

	Group			
	30 Sep 2020		31 Dec 2019	
	Secured	Unsecured	Secured	Unsecured
	\$'000	\$'000	\$'000	\$'000
Amount repayable				
In one year or less, or on demand	6,240	-	6,004	-
After one year	-	-	-	-
	6,240	-	6,004	-

Details of collaterals

As at 30 September 2020, the Group pledged certain right-of-use assets and certain property, plant and equipment of the Group, with net book value of RMB20 million (approximately \$4.1 million) and RMB69.0 million (approximately \$13.8 million) respectively, as collaterals. At 30 September 2020, an amount of RMB0.3 million (approximately \$0.07 million) [30/9/2019:- RMB0.4 million (approximately \$0.1 million)] included in the cash and bank balances can only be used for payment of interest on a bank loan.

As at 30 September 2020, the Company has also provided a corporate guarantee for a bank loan of RMB21.1 million (approximately \$4.2 million) [30/9/2019: RMB21.6 million (approximately \$4.2 million)].

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

	Group			
	Third Quarter Ended 30 September		Nine Months Ended 30 September	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash flows from operating activities :				
Profit/(loss) before taxation				
- continuing operations	(297)	(313)	(1,600)	(2,268)
- discontinued operation	297	89	621	(63)
Loss before taxation, total	-	(224)	(979)	(2,331)
Adjustments for :				
Depreciation and amortisation expenses	171	78	573	394
Gain on disposal of property, plant and equipment	-	(19)	(8)	(45)
Interest expense (Note (a))	122	109	354	332
Interest income	(105)	-	(107)	(7)
Unrealised exchange gain	(499)	(79)	(411)	(195)
Provision for doubtful debts	-	(95)	-	(72)
Operating loss before working capital changes	(311)	(230)	(578)	(1,924)
(Increase)/decrease in stocks	(42)	(33)	(66)	65
(Increase)/decrease in receivables	25	99	(190)	205
Increase/(decrease) in payables	(250)	(12)	267	(155)
Cash used in operations	(578)	(176)	(567)	(1,809)
Interest received	105	-	107	7
Interest paid (Note (a))	(109)	(109)	(328)	(332)
Tax received/(paid)	-	-	-	(3)
Net cash flows used in operating activities	(582)	(285)	(788)	(2,137)
Cash flows from investing activities :				
Proceeds from disposal of property, plant and equipment	-	18	8	62
Proceeds from refund of mining deposits (Note (b))	-	205	-	205
Increase in restricted deposits (Note (b))	-	(205)	-	(205)
Net cash flows generated by investing activities	-	18	8	62
Cash flows from financing activities :				
Repayment of bank loan	-	-	(1,987)	(2,013)
Proceeds from bank loan	-	-	1,987	2,013
(Increase)/decrease in pledged deposits (Note (a))	148	75	222	228
Payments of lease liability	-	(31)	(66)	(92)
Loan from a director	200	200	550	200
Net cash flows generated from financing activities	348	244	706	336
Net decrease in cash and cash equivalents	(234)	(23)	(74)	(1,739)
Cash and cash equivalents at beginning of period	558	437	396	2,153
Effects of exchange rate changes on cash and cash equivalents	5	(8)	7	(8)
Cash and cash equivalents at end of period	329	406	329	406

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

	Group	
	As at 30 Sep	
	2020	2019
	\$'000	\$'000
Cash and bank balances	609	678
Less : pledged deposits for bank loans (Note (a))	(67)	(71)
Less : restricted use of mining deposits (Note (b))	(213)	(201)
Cash and cash equivalents at end of period	329	406

Note (a): Included in the interest expense in 3Q2020 and nine months ended 30 September 2020 (“9M2020”) were amounts of S\$75,000 and S\$222,000 respectively, paid via deduction from a specific bank account. The amount in the specific bank account can only be used for payment of interest on a bank loan.

Note (b): In 2019, the PRC government refunded deposits in respect of the Group’s rehabilitation obligations for its mines, but requires the amounts to be held in specific bank accounts and the use of these amounts is restricted until the completion of rehabilitation of the mines.

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

Group	Share capital \$'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
2020								
Balance at 1 January 2020	78,283	850	(10,086)	(329)	1,550	(8,015)	9,463	79,731
Total comprehensive income for the period	-	-	(444)	1,089	-	645	-	645
Balance at 31 March 2020	78,283	850	(10,530)	760	1,550	(7,370)	9,463	80,376
Total comprehensive income for the period	-	-	(535)	(685)	-	(1,220)	-	(1,220)
Balance at 30 June 2020	78,283	850	(11,065)	75	1,550	(8,590)	9,463	79,156
Total comprehensive income for the period	-	-	-	(65)	-	(65)	-	(65)
Balance at 30 September 2020	78,283	850	(11,065)	10	1,550	(8,655)	9,463	79,091
2019								
Balance at 1 January 2019	78,283	850	(5,687)	619	1,550	(2,668)	9,463	85,078
Impact on adoption of SFRS(I) 16	-	-	(10)	-	-	(10)	-	(10)
Balance at 1 January 2019, restated	78,283	850	(5,697)	619	1,550	(2,678)	9,463	85,068
Total comprehensive income for the period	-	-	(1,115)	255	-	(860)	-	(860)
Balance at 31 March 2019	78,283	850	(6,812)	874	1,550	(3,538)	9,463	84,208
Total comprehensive income for the period	-	-	(953)	(704)	-	(1,657)	-	(1,657)
Balance at 30 June 2019	78,283	850	(7,765)	170	1,550	(5,195)	9,463	82,551
Total comprehensive income for the period	-	-	(224)	(324)	-	(548)	-	(548)
Balance at 30 September 2019	78,283	850	(7,989)	(154)	1,550	(5,743)	9,463	82,003

Company	Share capital \$'000	Retained earnings \$'000	Total reserves \$'000	Total equity \$'000
2020				
Balance at 1 January 2020	78,283	(35,811)	(35,811)	42,472
Total comprehensive income for the period	-	(157)	(157)	(157)
Balance at 31 March 2020	78,283	(35,968)	(35,968)	42,315
Total comprehensive income for the period	-	(241)	(241)	(241)
Balance at 30 June 2020	78,283	(36,209)	(36,209)	42,074
Total comprehensive income for the period	-	(342)	(342)	(342)
Balance at 30 September 2020	78,283	(36,551)	(36,551)	41,732
2019				
Balance at 1 January 2019	78,283	3,352	3,352	81,635
Total comprehensive income for the period	-	(369)	(369)	(369)
Balance at 31 March 2019	78,283	2,983	2,983	81,266
Total comprehensive income for the period	-	(357)	(357)	(357)
Balance at 30 June 2019	78,283	2,626	2,626	80,909
Total comprehensive income for the period	-	(157)	(157)	(157)
Balance at 30 September 2019	78,283	2,469	2,469	80,752



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

As at 31 December 2019 and 30 September 2020, the number of issued ordinary shares of the Company ("Shares") (excluding treasury shares) was 1,031,524,685.

As at 30 September 2019, the Company had 95,124,065 outstanding warrants, exercisable into 95,124,065 new Shares, representing approximately 9.22% of the total number of issued ordinary shares of the Company (excluding treasury shares).

There were no outstanding warrants as at 30 September 2020. The 95,124,065 warrants, exercisable into 95,124,065 new Shares, expired on 23 March 2020.

As at 30 September 2019 and 30 September 2020, the Company did not hold any treasury shares and there were no subsidiary holdings.

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

	As at	
	30 September 2020	31 December 2019
Total number of issued shares (excluding treasury shares)	1,031,524,685	1,031,524,685

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

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

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

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

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

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

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

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

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed

The latest audited financial statements, for the financial year ended 31 December 2019, were subjected to a disclaimer opinion by the independent auditor of the Company (the "Auditor"). The following matters were included in the said audit opinion:

i) Assets and liability of disposal group and discontinued operation

Update:

As the Chinese Government has yet to finalise the compensation for the Mining Assets and negotiations are still ongoing, significant uncertainty continues to exist in 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 balance sheet as at 30 September 2020. On 7 August 2020, the Group's lawyers have submitted a Request for Arbitration to the Chinese Government. The Group continues to be open to consider any compensation proposal from the Chinese Government.

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

Update:

Significant uncertainties continue to exist with respect to the outcome of the settlement negotiations with the Chinese Government. The recoverable amounts of the investment in subsidiaries are dependent on the outcome of the settlement negotiations. On 7 August 2020, the Group's lawyers have submitted a Request for Arbitration to the Chinese Government. The Group continues to be open to consider any compensation proposal from the Chinese Government.

iii) Recoverable amount of property, plant and equipment

Update:

Using independent valuation reports prepared in 2019 by an independent Chinese professional valuer engaged by one of the Group's bankers, the Group recorded additional impairment charge of \$2.18 million on the P₄ plant in year ended 31 December 2019. The Group will continue to assess the recoverable amount of the P₄ plant.

The Board confirms that the impact of the abovementioned audit issues on the financial statements have been adequately disclosed.

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

Except as disclosed in Paragraph 5, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current

reporting period as those of the most recently audited consolidated financial statements for the financial year ended 31 December 2019.

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

The Group and the Company have adopted the new and revised Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and Interpretations of Singapore Financial Reporting Standards (International) (“**INT SFRS(I)**”) that are mandatory for the financial period beginning on 1 January 2020. The adoption of these new/revised SFRS(I), INT SFRS(I) and amendments to SFRS(I) has no material impact on the financial performance or position of the Group and the Company.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**

- (a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).

	Group			
	Third Quarter Ended 30 September		Nine Months Ended 30 September	
	2020	2019	2020	2019
Earnings/(loss) attributable to owners of the Company used in the computation of basic earnings per share (\$'000)				
- from continuing operations	(297)	(313)	(1,600)	(2,229)
- from discontinued operation	297	89	621	(63)
	-	(224)	(979)	(2,292)
Weighted average number of ordinary shares for basic earnings per share ('000)	1,031,525	1,031,525	1,031,525	1,031,525
Basic earnings/(loss) per share (cents)				
- from continuing operations	(0.03)	(0.03)	(0.16)	(0.22)
- from discontinued operation	0.03	0.01	0.06	(0.01)
	-	(0.02)	(0.09)	(0.22)

The dilutive instruments were anti-dilutive as the Group was in loss making position and the warrants expired on 23 March 2020. As at 30 September 2020, there were no dilutive instruments.

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

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

	Group		Company	
	As at		As at	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Net asset value (\$'000)	79,091	79,731	41,732	42,472
Number of ordinary shares ('000)	1,031,525	1,031,525	1,031,525	1,031,525
Net asset value per ordinary share (cents)	7.67	7.73	4.05	4.12

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

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

The figures in this section where applicable, have been rounded to the nearest two (2) decimal place.

The Group is organised into product units as follows:

- (a) upstream segment relates to the business of exploration, mining and sale of phosphate rocks (the “**Upstream Segment**”). As discussions are in progress with the Chinese Government, the Upstream Segment had been presented as discontinued operation; and
- (b) downstream segment relates to the business of manufacturing, sale and trading of phosphate-based chemicals products such as elemental phosphorus (“**P₄**”), sodium tripolyphosphate (“**STPP**”) and sodium hexametaphosphate (“**SHMP**”); the sale of P₄ by-products, such as slag, sludge and ferrophosphate; and other phosphate chemicals (the “**Downstream Segment**”).

Profit or loss

Revenue, cost of goods sold and gross profit

Revenue decreased by \$0.15 million, from \$0.32 million in 3Q2019 to \$0.17 million in 3Q2020 as the Group’s business was disrupted by the Covid 19 Pandemic. The main contribution to the revenue is from the sales of STMP, SHMP and STPP.

Cost of goods sold decreased by \$0.10 million, from \$0.26 million in 3Q2019 to \$0.16 million in 3Q2020 due to decrease in sales.

Gross profit margin decreased by 12.6%, from 20.1% in 3Q2019 to 7.5% in 3Q2020 mainly due to product mix effect and the Group’s business was disrupted by the Covid 19 Pandemic.

Gross profit decreased from \$0.06 million in 3Q2019 to \$0.01 million in 3Q2020.



Other income

Other income decreased by \$0.01 million, from \$0.11 million in 3Q2019 to \$0.10 million in 3Q2020. In 3Q2020, the Group received grant amounting to \$0.02 million from the Singapore Government for the Job Support Scheme, AGM Facilitation and property tax rebate. In addition, other income in 3Q2020 includes the contribution from the rental of the STPP plant.

Selling and distribution costs

Selling and distribution costs decreased in line with the lower level of activity.

General and administrative costs

General and administrative costs reduced by \$0.04 million, from \$0.33 million in 3Q2019 to \$0.29 million in 3Q2020, mainly due to lower provision for energy cost and depreciation in 3Q2020.

Profit from discontinued operation

Profit from discontinued operation increased by \$0.21 million, from \$0.08 million in 3Q2019 to \$0.29 million in 3Q 2020, mainly due to provision for doubtful debts written back in 3Q2020 relating to the SOE customer.

Balance sheet

Non-current assets

Non-current assets increased by \$0.21 million, from \$18.21 million as at 31 December 2019 to \$18.42 million as at 30 September 2020 mainly due to the RMB strengthened against the SGD.

Current assets

Current assets increased by \$0.43 million, from \$90.59 million as at 31 December 2019 to \$91.02 million as at 30 September 2020, mainly due to increase in other receivables and prepayments and the RMB strengthened against the SGD in assets of disposal group. Cash and bank balances decreased by \$0.27 million, from \$0.88 million as at 31 December 2019 to \$0.61 million as at 30 September 2020 is explained in the cash flow statement.

Other receivables and prepayments increased by \$0.19 million, from \$0.39 million as at 31 December 2019 to \$0.58 million as at 30 September 2020, mainly due to prepayment for the office renovation cost and professional fee.

Current liabilities

Current liabilities increased by \$1.18 million, from \$9.90 million as at 31 December 2019 to \$11.08 million as at 30 September 2020, mainly due to increase in trade and other payables, interest-bearing bank loans, loan due to a director and strengthening of RMB against SGD.

The increases were partially mitigated by reduction in contract liabilities.

Non-current liabilities

Non-current liabilities increased by \$0.10 million, from \$19.17 million as at 31 December 2019 to \$19.27 million as at 30 September 2020 mainly due to increases in deferred tax liabilities and deferred income resulting from the exchange rate used in the translation. The RMB strengthened against the SGD.

Cash flow statement

Operating result before working capital changes was breakeven in 3Q2020. Cash used in operations was \$0.57 million in 3Q2020, mainly due to decrease in payables, increased in stocks, and partially mitigated by increase in receivables.

Receipt of interest income and payments for interest expense in 3Q2020 amounted to \$0.10 million and \$0.11 million, respectively.

There is no cash flow generated by / (used in) investing activities for 3Q2020.

Cash flows generated from financing activities of \$0.34 million in 3Q2020 were mainly due to loan from a director.

Decreased in pledged deposit by \$0.07 million, from \$0.07 million in 3Q2019 to \$0.14 million in 3Q2020 due to payment of interest expense.

As a result of the above, net decrease in cash and cash equivalents increased by \$0.21 million, from \$0.02 million in 3Q2019 to \$0.23 million in 3Q2020.

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

The Group's unaudited results for the nine months ended 30 September 2020 is in line with the Company's profit guidance announcement on 28 October 2020.

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

As disclosed in the announcement dated 11 August 2020, the Group has submitted its request for Arbitration to the Chinese Government. As the process for arbitration is now underway, the Group is required to observe confidentiality. However, the Group is mindful of its obligations under the Catalist Listing Rules, and as long as Norwest Chemicals Pte Ltd and its subsidiaries remains part of the Listed Group, the Company will make announcements whenever there are material developments with respect to the arbitration or negotiation with the Chinese Government.



No adjustments have been made to the carrying value of the assets and liabilities of the disposal group as the recoverable amount will be dependent on the finalisation of compensation when either negotiation or arbitration is concluded.

Trading conditions remain challenging. Management continues to try to expand the geographical base of the Group's customers of downstream phosphate chemicals like STPP and STMP produced by our tenant and cooperation partner Lianyungang Zexin Food Ingredients Co Ltd.

As announced on 23 September 2020 and 2 October 2020, the Company has entered into a non-binding term sheet with Mining and Minerals Industries Holdings Pte Ltd to acquire the entire share capital of MMJV Pte Ltd that will constitute a reverse take over. As announced on 2 November 2020, the Company and Mining and Minerals Industries Holdings Pte Ltd have on 31 October 2020 entered into an extension letter to extend the Term Sheet Termination Date to 15 November 2020. Management will provide updates as and when there are material developments.

Barring unforeseen circumstances, the directors after taking into consideration the available cash resources, anticipated recoveries, projected extension of bank loans when they fall due and fruition of the business plan which include *inter alia*, the possible sale of land use rights, the sale of downstream phosphate chemicals products, are of the view that the presentation of the financial statements on going concern assumption is appropriate. The Company's subsidiary, Sichuan Mianzhu Norwest Phosphate Co., Ltd has entered into a sale and purchase agreement with Mianzhu City Land Reserve Centre on 2 November 2020 in connection with the proposed disposal of the land located at Hanwang New Town, Mianzhu City, Sichuan Province, PRC.

11. Dividend

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

Nil.

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

Nil.

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

Not applicable.

(d) Date payable

Not applicable.

(e) Record date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 3Q2020 as the Company is not in the financial position to declare dividends.

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

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

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

In addition to the loan of \$200,000 extended by Dr. Ong in August 2019, Dr. Ong has extended a loan of \$150,000 in February 2020; \$200,000 in June 2020 and another \$200,000 in August 2020 to the Company. As at 30 September 2020, the loan from Dr. Ong amount to \$750,000. These loans are for the Company's working capital, are unsecured, repayable on demand and will bear interest at 8% per annum. From August 2019 to September 2020, interest on loans accrued to Dr. Ong amount to S\$31,000. The Audit Committee had discussed the terms of the loans and is of the view that the loans are i) for the benefit of the Group; ii) on normal commercial terms; and iii) are not prejudicial to the interests of the issuer and its minority shareholders.

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

The Board hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for 3Q2020 to be false or misleading in any material aspects.

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

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

On behalf of the Board,

Dr Ong Hian Eng
CEO and Executive Director
4 November 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("Exchange") Listing Manual Section B: Rules of Catalist for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.

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

*The contact person for the Sponsor is Mr. Liao H.K.
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