



ASIAPHOS LIMITED

Company Registration Number: 201200335G

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THREE MONTHS ENDED 31 MARCH 2021

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

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 FIRST QUARTER ENDED 31 MARCH 2021

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		
	First Quarter Ended 31 March		
	2021	2020	Change
	\$'000	\$'000	%
<u>Continuing operations</u>			
Revenue	374	274	36
Cost of sales	(333)	(230)	45
Gross profit	41	44	(7)
Other income	107	212	(50)
Selling and distribution costs	(14)	(34)	(59)
General and administrative costs	(637)	(864)	(26)
Finance costs	(130)	(126)	3
Other expense	(44)	-	(100)
Loss before tax, from continuing operations	(677)	(768)	(12)
Taxation	-	-	-
Loss from continuing operations, net of tax	(677)	(768)	(12)
<u>Discontinued operation</u>			
Profit from discontinued operation, net of tax	-	324	(100)
Loss for the period	(677)	(444)	52
<u>Other comprehensive income</u>			
<u>Items that may be recycled to profit or loss</u>			
Foreign currency translation gain/(loss)	(244)	1,089	N.M.
Total comprehensive gain/(loss) for the period	(921)	645	N.M.
Net profit/(loss) for the period attributable to:			
<u>Owners of the Company</u>			
Loss from continuing operations, net of tax	(677)	(768)	(12)
Profit from discontinued operation, net of tax	-	324	(100)
	(677)	(444)	52
<u>Non-controlling interest</u>			
Profit/(loss) from continuing operations, net of tax	-	-	-
Profit/(loss) from discontinued operation, net of tax	-	-	-
	(677)	(444)	52
Total comprehensive income for the period attributable to:			
Owners of the Company	(921)	645	N.M.
Non-controlling interest	-	-	-
	(921)	645	N.M.
Attributable to owners of the Company			
Total comprehensive income for the period from continuing operations	(921)	321	N.M.
Total comprehensive income for the period from discontinued operation	-	324	(100)
	(921)	645	N.M.

“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.

In the first quarter ended 31 March 2021 (“1Q2021”), the Group recorded translation loss of \$0.24 million due to the strengthening of SGD against RMB.

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		
	First Quarter Ended 31 March		
	2021	2020	Change
	\$'000	\$'000	%
Interest income	-	1	(100)
Interest income on late payment by customer	-	119	(100)
Government grants	2	-	100
Interest expenses	(108)	(116)	(7)
Interest on loan from director	(20)	-	100
Amortisation and depreciation			
- continuing operations #	(109)	(201)	(46)
Provision for doubtful debts (made)/written back			
- discontinued operation	-	324	(100)
Foreign exchange gain/(loss) *	(47)	(268)	(82)

*** 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	
	31 March 2021 \$'000	31 December 2020 \$'000	31 March 2021 \$'000	31 December 2020 \$'000
Non-current assets				
Right-of-use asset	3,980	4,040	-	-
Property, plant and equipment	13,514	13,728	-	-
Prepayments	156	167	-	-
Other receivables	9	9	-	-
Investment in subsidiary	-	-	45,449	45,449
	17,659	17,944	45,449	45,449
Current assets				
Stocks	89	233	-	-
Trade receivables	28	23	-	-
Other receivables and prepayments	432	382	103	32
Cash and bank balances	788	848	25	31
Assets of disposal group	89,667	89,775	-	-
Amounts due from subsidiary	-	-	432	340
	91,004	91,261	560	403
Total assets	108,663	109,205	46,009	45,852
Current liabilities				
Trade payables	37	54	-	-
Other payables	3,275	2,902	603	356
Contract liabilities	163	339	-	-
Interest-bearing bank loans	6,244	6,300	-	-
Loan due to a director	1,217	913	1,218	897
Provision for taxation	33	44	-	-
Lease liability	24	24	-	-
Liability of disposal group	800	807	-	-
Amounts due to subsidiary	-	-	3,223	3,208
	11,793	11,383	5,044	4,461
Net current assets/(liabilities)	79,211	79,878	(4,484)	(4,058)
Non-current liabilities				
Deferred tax liabilities	17,398	17,405	-	-
Deferred income	1,957	1,975	-	-
Provision for reinstatement cost	27	27	-	-
Lease liability	127	133	-	-
	19,509	19,540	-	-
Total liabilities	31,302	30,923	5,044	4,461
Net assets	77,361	78,282	40,965	41,391
Equity attributable to owners of the Company				
Share capital	78,283	78,283	78,283	78,283
Reserves	(10,232)	(9,311)	(37,318)	(36,892)
	68,051	68,972	40,965	41,391
Non-controlling interest	9,310	9,310	-	-
Total equity	77,361	78,282	40,965	41,391



(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			
	31 Mar 2021		31 Dec 2020	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable				
In one year or less, or on demand	6,244	-	6,300	-
After one year	-	-	-	-
	6,244	-	6,300	-

Details of collaterals

As at 31 March 2021, the Group pledged certain right-of-use assets and certain property, plant and equipment of the Group, with net book value of RMB19.79 million (approximately \$3.98 million) and RMB50.97 million (approximately \$10.25 million) respectively, as collaterals.

As at 31 March 2021, an amount of RMB1.68 million (approximately \$0.34 million) [31/12-/2020:- RMB1.49 million (approximately \$0.30 million)] included in the cash and bank balances can only be used for payment of interest on a bank loan.

As at 31 March 2021, the Company has also provided a corporate guarantee for a bank loan of RMB21.05 million (approximately \$4.23 million) [31/12/2020: RMB21.05 million (approximately \$4.27 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	
	First Quarter Ended	
	31 March	
	2021	2020
	\$'000	\$'000
Cash flows from operating activities :		
Loss before taxation		
- continuing operations	(677)	(768)
- discontinued operation	-	324
Loss before taxation, total	(677)	(444)
Adjustments for :		
Depreciation and amortisation expenses	109	201
Interest expense (Note (a))	128	116
Interest income	-	(120)
Unrealised exchange loss/(gain)	(54)	323
Operating (loss)/gain before working capital changes	(494)	76
(Increase)/decrease in stocks	134	(54)
Increase in receivables	(243)	(185)
Increase in payables	374	252
Cash generated from/(used in) operations	(229)	89
Interest received	-	120
Interest paid (Note (a))	(108)	(110)
Tax paid	(11)	-
Net cash flows generated from/(used in) operating activities	(348)	99
Cash flows from investing activities :		
Increase in restricted deposits (Note (b))	(144)	-
Net cash flows generated by investing activities	(144)	-
Cash flows from financing activities :		
Repayment of bank loan	(1,987)	(1,987)
Proceeds from bank loan	1,987	1,987
(Increase)/decrease in pledged deposits (Note (a))	105	74
Payments of lease liability	(6)	(32)
Loan from a director	300	150
Net cash flows generated from/(used in) financing activities	399	192
Net decrease in cash and cash equivalents	(93)	291
Cash and cash equivalents at beginning of the period	331	396
Effects of exchange rate changes on cash and cash equivalents	-	11
Cash and cash equivalents at end of the period	238	698



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 31 March	
	2021	2020
	\$'000	\$'000
Cash and bank balances	788	1,128
Less : pledged deposits for bank loans (Note (a))	(338)	(218)
Less : restricted use of mining deposits (Note (b))	(212)	(212)
Cash and cash equivalents at end of period	<u>238</u>	<u>698</u>

Note (a): Included in the interest expense in 1Q2021 and first quarter ended 31 March 2020 (“1Q2020”) were amounts of \$105,000 and \$74,000 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): During 3Q2019, 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	Accumulated losses \$'000	Foreign currency translation reserve \$'000	Safety fund surplus reserve \$'000	Total reserves \$'000	Non-controlling interest \$'000	Total equity \$'000
2021								
Balance at 1 January 2021	78,283	850	(12,700)	989	1,550	(9,311)	9,310	78,282
Total comprehensive income for the period	-	-	(677)	(244)	-	(921)	-	(921)
Balance at 31 March 2021	78,283	850	(13,377)	745	1,550	(10,232)	9,310	77,361
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

Company	Share capital \$'000	Accumulated losses \$'000	Total reserves \$'000	Total equity \$'000
2021				
Balance at 1 January 2021	78,283	(36,892)	(36,892)	41,391
Total comprehensive income for the period	-	(426)	(426)	(426)
Balance at 31 March 2021	78,283	(37,318)	(37,318)	40,965
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



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 2020 and 31 March 2021, the number of issued ordinary shares of the Company (“Shares”) (excluding treasury shares) was 1,031,524,685.

There were no outstanding convertibles as at 31 March 2020 and 31 March 2021.

As at 31 March 2020 and 31 March 2021, 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	
	31 March 2021	31 December 2020
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 2020, 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 31 March 2021. 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 (“PPE”) and right-of-use assets (“ROU”)
Update:
Using independent valuation reports prepared in 2020 by an independent Chinese professional valuer engaged by the management, the management had assessed the recoverable amounts of the P4 plant, STPP plant and ROU, no provision of impairment on the P4 plant, STPP plant and ROU in year ended 31 December 2020.

The management had assessed the recoverable amounts of the P4 plant, STPP plant and ROU, no provision of impairment on the P4 plant, STPP plant and ROU in 1Q2021.

The Group will continue to assess the recoverable amount of the P4 plant, STPP plant and ROU.



iv) Valuation of warrants

Update:

The Board of directors believes that the valuation of warrants which expired in FY2020 will not have any financial impact on the results and financial position of the Group and the company for the year ending 31 December 2021.

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 2020.

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	
	First Quarter Ended 31 March	
	2021	2020
Earnings/(loss) attributable to owners of the Company used in the computation of basic earnings per share (\$'000)		
- from continuing operations	(677)	(768)
- from discontinued operation	-	324
	<u>(677)</u>	<u>(444)</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	1,031,525	1,031,525
Basic earnings/(loss) per share (cents)		
- from continuing operations	(0.07)	(0.07)
- from discontinued operation	-	0.03
	<u>(0.07)</u>	<u>(0.04)</u>

As at 31 March 2021 and 31 March 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	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Net asset value (\$'000)	77,361	78,282	40,965	41,391
Number of ordinary shares ('000)	1,031,525	1,031,525	1,031,525	1,031,525
Net asset value per ordinary share (cents)	7.50	7.59	3.97	4.01

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 increased by \$0.10 million, from \$0.27 million in 1Q2020 to \$0.37 million in 1Q2021. The revenue is solely derived from the sales of STMP and SHMP.

Cost of goods sold increased by \$0.10 million, from \$0.23 million in 1Q2020 to \$0.33 million in 1Q2021 in line with the higher level of activity.

Gross profit margin decreased by 5.10%, from 16.06% in 1Q2020 to 10.96% in 1Q2021 mainly due to product mix effect and the Group’s business was disrupted by the Covid 19 Pandemic. Gross profit decreased from \$0.044 million in 1Q2020 to \$0.041 million in 1Q2021.

Other income

Other income decreased by \$0.10 million, from \$0.21 million in 1Q2020 to \$0.11 million in 1Q2021, mainly due to the absence of the receipt of interest on late payment from a customer in 1Q2020. Other income includes the contribution from the rental of the STPP plant of \$0.06 million and the sale of scrap materials of \$0.05 million in 1Q2021.

Selling and distribution costs

Selling and distribution costs decreased by \$0.02 million, from \$0.03 million in 1Q2020 to \$0.01 million in 1Q2021, due to most of the goods purchased price inclusive of land transportation cost in 1Q2020.

General and administrative costs

General and administrative costs decreased by \$0.22 million, from \$0.86 million in 1Q2020 to \$0.64 million in 1Q2021, mainly due to a reduction in general operating expenses, including salaries and staff-related costs and other administrative costs.

Other expense

Other expense includes the contribution from the cost of sale of the scrap materials of \$0.04 million in 1Q2021.



Net loss

Net loss increased by \$0.24 million, from \$0.44 million in 1Q2020 to \$0.68 million in 1Q2021, due to, inter-alia, the absence of the profit from discontinued operation, i.e., write back of allowance for doubtful debts in 1Q2020.

In the event the one-off write back of allowance for doubtful debts is excluded, the net loss in 1Q2020 would be \$0.77 million, and this is 13% higher than the net loss in 1Q2021.

Balance sheet

Non-current assets

Non-current assets decreased by \$0.28 million, from \$17.94 million as at 31 December 2020 to \$17.66 million as at 31 March 2021, mainly due to the strengthening of SGD against the RMB and depreciation for PPE and amortization for ROU in 1Q2021.

Current assets

Current assets decreased by \$0.26 million, from \$91.26 million as at 31 December 2020 to \$91.00 million as at 31 March 2021, mainly due to decrease in stocks, cash and bank balances and to the strengthening of SGD against the RMB in assets of disposal group. The decrease was partially offset by increase in other receivables and prepayments in 1Q2021.

Stock decreased by \$0.14 million, from 0.23 million as at 31 December 2020 to \$0.09 million as at 31 March 2021, mainly due to goods sold in January 2021.

Cash and bank balances decreased by \$0.06 million, from \$0.85 million as at 31 December 2020 to \$0.79 million as at 31 March 2021 is explained in the cash flow statement.

Other receivables and prepayments increased by \$0.05 million, from \$0.38 million as at 31 December 2020 to \$0.43 million as at 31 March 2021, mainly due to prepayment for the general operating cost and professional fee.

Current liabilities

Current liabilities increased by \$0.41 million, from \$11.38 million as at 31 December 2020 to \$11.79 million as at 31 March 2021, mainly due to increase in other payables and loan due to a director.

The increase was partially offset by decrease in trade payables, contract liabilities, interest-bearing bank loans, provision for taxation and liabilities of disposal group and the strengthening of SGD against RMB.

Trade payables decreased by \$0.01 million, from \$0.05 million as at 31 December 2020 to \$0.04 million as at 31 March 2021, mainly due to payments for the goods purchased.



Other payables increased by \$0.38 million, from \$2.90 million as at 31 December 2020 to \$3.28 million as at 31 March 2021, mainly due to the general and administrative expenses incurred in 1Q2021 and carried forward last year outstanding invoices.

Contract liabilities decreased by \$0.18 million, from \$0.34 million as at 31 December 2020 to \$0.16 million as at 31 March 2021, mainly due to goods delivered and sales recognised in the profit and loss account in 1Q2021.

Loan due to a director increased by \$0.30 million, from \$0.91 million as at 31 December 2020 to \$1.21 million as at 31 March 2021, mainly due to further advances received from a director of the company and accrued interest.

Net current assets/(liabilities)

As at 31 March 2021, the Group recorded net current assets of \$79.21 million (31/12/2020: \$79.88 million). In the event, the assets of disposal group are excluded, as at 31 March 2021, the Group recorded net current liabilities of \$10.46 million (31/12/2020: \$9.90 million).

Non-current liabilities

Non-current liabilities decreased by \$0.03 million, from \$19.54 million as at 31 December 2020 to \$19.51 million as at 31 March 2021, mainly due to decrease in deferred tax liabilities, deferred income and lease liability due to the strengthening of SGD against RMB.

Cash flow statement

Operating loss before working capital changes was \$0.68 million in 1Q2021. Net cash flows used in operating activities was \$0.35 million in 1Q2021, mainly due to an increase in receivables and partially mitigated by an increase in payables and a decrease in stocks.

Payments for interest expense and tax paid in 1Q2021 amounted to \$0.11 million and \$0.01 million, respectively.

Cash flow generated by investing activities was \$0.14 million in 1Q2021 due to an increase in restricted deposit to be held in a bank account to pay bank loan interest.

Cash flows generated from financing activities was \$0.40 million in 1Q2021, mainly due to loan from a director.

Increase in pledged deposit by \$0.04 million, from \$0.07 million in 1Q2020 to \$0.11 million in 1Q2021, due to payment of interest expense.

As a result of the above, net decrease in cash and cash equivalents of \$0.09 million in 1Q2021.



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

Not applicable.

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.

The Chinese Government has stopped older P4 plants in Yunnan from production and this has led to increase in P4 prices. The Sichuan Government has allowed State owned companies to resume mining in the vicinity of our P4 facilities. The availability and supply of phosphate rocks mined near our P4 plant may make P4 production viable again. Management has commenced exploratory talks to lease and/or sell its P4 facilities.

On 6 April 2021, the Company terminated the sales and purchase agreement with MMIH Pte Ltd for the purchase of the entire issued share capital of MMJV Pte Ltd. Management will continue to source for other corporate, business, acquisition and financing opportunities as and when available and appropriate in order to enhance the value for shareholders.

The Board has taken into consideration the Group's plans (inter alia internal estimates of value of P4 plant and STPP plant as well as forward numbers) and confirm that the Group will be able to operate as a going concern. The basis of the Board's opinion is as follows:

(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 as well as other polyphosphate chemicals and achieve reduction in cash outlays and overheads due to downsized operations.



(b) In FY2019, the Group leased the STPP plant to a third party for RMB 1 million per annum for a period of 4 years, with the option to extend for another 3 years upon expiry. Rental income is received bi-annually.

The Group is also exploring sale of land that is surplus to the Group's current operating requirements and is in negotiations to lease out its P4 plant (and is also currently in ongoing discussions towards the potential sale i.e. disposal of the STPP and P4 Plants); and

(c) Discussions will be carried out by the Group with financial institutions to rollover its existing loans as and when they fall due. 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 obtain requisite financing for the Group's operations.

In addition, the cash resources of the Group will be augmented by the support of its majority shareholders and also as disclosed in our announcement on the termination of the acquisition of MMJV on 7 April 2021, the Group will continue to source for other corporate, business, acquisition and financing opportunities as and when available and appropriate to enhance shareholders' value. In addition, the Majority Shareholders had funded the Company.

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 1Q2021 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; \$200,000 in August 2020; \$100,000 in November 2020; \$100,000 in January 2021; \$100,000 in February 2021 and another \$100,000 in March 2021 to the Company. As at 31 March 2021, the loan from Dr. Ong amounted to \$1,150,000. 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 March 2021, interest on loans accrued to Dr. Ong amount to \$67,800. 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.

In 2Q2021, Astute Ventures Pte Ltd, a controlling shareholder, has also extended loans amounting to approximately \$413,000 to the Company for working capital. These loans are for the Company’s working capital, are unsecured, repayable on demand and will also bear interest at 8% per annum. 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 1Q2021 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
14 May 2021

This announcement has been reviewed by the Company's Sponsor, Asian Corporate Advisors Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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., at 160 Robinson Road, #21-05 SBF Center, Singapore 068914, Telephone number: 6221 0271

