

SINCAP GROUP LIMITED

(Incorporated in the Republic of Singapore)
Co. Reg. No.201005161G

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FINANCIAL RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE (“HY”) 2019

1(a)(i) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		% Change Increase/ (Decrease)
	Unaudited HY 2019 RMB'000	Unaudited HY 2018 RMB'000	
Revenue	226,625	217,296	4
Cost of Sales	(214,845)	(205,557)	5
Gross Profit	11,780	11,739	0
Other Income	11	136	(92)
Administrative Expenses	(5,136)	(5,184)	(1)
Finance Costs	(1,334)	(17)	7,747
Profit before income tax	5,321	6,674	(20)
Income Tax Expense	(1,456)	(1,508)	(3)
Profit for the year	3,865	5,166	
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit and loss:			
Currency translation differences arising on consolidation	(22)	3,403	n.m.
Total comprehensive income for the year	3,843	8,569	(55)
Profit attributable to:			
Equity holders of the Company	3,863	794	387
Non-controlling interests	2	4,372	(100)
	3,865	5,166	(25)
Total comprehensive income attributable to:			
Equity holders of the Company	3,841	3,120	23
Non-controlling interests	2	5,449	(100)
	3,843	8,569	(55)

1(a)(ii) Profit, net of tax, is arrived at after (charging)/crediting the following:

	Group		% Change (Decrease)/ Increase
	Unaudited HY 2019 RMB'000	Unaudited HY 2018 RMB'000	
After (charging) / crediting:			
Depreciation of plant and equipment	(100)	(109)	(8)
Operating lease expenses	(125)	(98)	28
Foreign exchange (loss)/gain	(650)	256	(354)
Interest expenses	(1,334)	(17)	7,747

n.m.: denotes not meaningful

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	Unaudited 30.06.2019	Audited 31.12.2018	Unaudited 30.06.2019	Audited 31.12.2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	558	659	558	659
Goodwill	13,434	13,434	-	-
Investments in subsidiaries	-	-	136,750	136,750
Trade and other receivables	-	-	-	-
Total Non-Current Assets	13,992	14,093	137,308	137,409
<u>Current Assets</u>				
Trade and other receivables	250,485	255,263	83,577	121,133
Bank and cash balances	1,827	13,000	1,097	1,234
Total Current Assets	252,312	268,263	84,674	122,367
Total Assets	266,304	282,356	221,982	259,776
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	203,930	203,930	203,930	203,930
Accumulated profits/(losses)	15,976	12,113	(39,220)	(35,284)
Currency translation reserve	(1,765)	(1,743)	4,962	5,048
Equity, attributable to equity holders of the Company	218,141	214,300	169,672	173,694
Non-controlling interests	43	41	-	-
Total Equity	218,184	214,341	169,672	173,694
<u>Non-Current Liabilities</u>				
Borrowings	24,877	60,977	24,877	60,977
Total Non-Current Liabilities	24,877	60,977	24,877	60,977
<u>Current Liabilities</u>				
Trade and other payables	20,543	5,206	26,828	24,508
Borrowings	534	526	534	526
Income tax payable	2,166	1,306	71	71
Total Current Liabilities	23,243	7,038	27,433	25,105
Total Liabilities	48,120	68,015	52,310	86,082
Total Equity and Liabilities	266,304	282,356	221,982	259,776

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	
	Unaudited	Audited
	30.06.2019	31.12.2018
	RMB'000	RMB'000
Payable in one year or less, or on demand		
Secured		
Obligation under finance leases (a)	203	197
Unsecured		
Term loan	331	329
	534	526
Payable after one year		
Secured		
Obligation under finance leases (a)	395	494
Unsecured		
Bonds	24,482	60,483
	24,877	60,977
TOTAL	25,411	61,503

Details of any collateral

- a) The obligations under finance leases are secured by charges of the lessors (banks) over the leased assets of the Group.

Note on the Bonds:

The unsecured Bonds refer to the bond issued by the Company as consideration for its purchase of 48.97% of the issued and paid-up share capital of Orion Energy Resources Pte. Ltd., more details of which are given at paragraph 1(d)(ii) below.

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	
	Unaudited HY 2019 RMB'000	Unaudited HY 2018 RMB'000
<u>Cash flows from operating activities</u>		
Profit before tax	5,321	6,674
Adjustments for:		
Interest expense	1,334	17
Depreciation of property, plant and equipment	100	109
Operating cash flows before working capital changes	6,755	6,800
Receivables	4,488	(61,291)
Payables	15,112	11,967
Currency translation adjustments	1,174	32
Cash generated from/(used in) operations	27,529	(42,492)
Income tax paid	(618)	(2,694)
Net cash generated from/(used in) operating activities	26,911	(45,186)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	-	(78)
Net cash flows used in investing activities	-	(78)
<u>Cash flows from financing activities</u>		
Interest paid	(13)	(17)
Finance lease repayment	(90)	(108)
Repayment of bond	(37,807)	-
Proceeds from issuance of new shares, net of issuance expenses	-	29,805
Net cash flows from financing activities	(37,910)	29,680
Net decrease in cash and cash equivalents	(10,999)	(15,584)
Cash and cash equivalents, beginning balance	13,000	22,855
Effects of exchange rate changes on cash and cash equivalents	(174)	(238)
Cash and cash equivalents, ending balance	1,827	7,033

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 RMB'000	Accumulated profits/(losses) RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Other reserves RMB'000	Attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	203,930	12,113	-	(1,743)	-	214,300	41	214,341
Profit for the period	-	3,863	-	-	-	3,863	2	3,865
<i>Other comprehensive loss</i>								
Currency translation differences arising on consolidation	-	-	-	(22)	-	(22)	-	(22)
Total comprehensive income for the financial period	-	3,863	-	(22)	-	3,841	2	3,843
As at 30 June 2019	203,930	15,976	-	(1,765)	-	218,141	43	218,184
As at 1 January 2018	151,560	6,661	-	(9,867)	-	148,354	59,927	208,281
Profit/(loss) for the year	-	(731)	-	-	-	(731)	3,532	2,801
<i>Other comprehensive income</i>								
Currency translation differences arising on consolidation	-	-	-	8,124	-	8,124	3,422	11,546
Total comprehensive income for the financial year	-	(731)	-	8,124	-	7,393	6,954	14,347
Issue of shares	52,988	-	-	-	-	52,988	-	52,988
Share issue expenses	(618)	-	-	-	-	(618)	-	(618)
Changes in ownership interest in existing subsidiary that do not result in change of control	-	6,183	-	-	-	6,183	(66,840)	(60,657)
As at 31 December 2018	203,930	12,113	-	(1,743)	-	214,300	41	214,341

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 (continued)

Company

	Share capital RMB'000	Accumulated losses RMB'000	Currency translation reserve RMB'000	Total equity RMB'000
As at 1 January 2018	203,930	(35,284)	5,048	173,694
Loss for the period	-	(3,936)	-	(3,936)
<i>Other comprehensive loss</i>				
Currency translation differences arising from translation into the presentation currency	-	-	(86)	(86)
Total comprehensive loss for the period	-	(3,936)	(86)	(4,022)
As at 30 June 2019	203,930	(39,220)	4,962	169,672
As at 1 January 2017	151,560	(31,065)	727	121,222
Loss for the year	-	(4,219)	-	(4,219)
<i>Other comprehensive income</i>				
Currency translation differences arising from translation into the presentation currency	-	-	4,321	4,321
Total comprehensive income/(loss) for the year	-	(4,219)	4,321	102
Issue of share capital	52,988	-	-	52,988
Share issue expenses	(618)	-	-	(618)
As at 31 December 2018	203,930	(35,284)	5,048	173,694

1(d)(ii) Details of any changes in the company’s share capital arising from rights issues, bonus shares, shares buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issues of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares of the issuers, 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

	Number of shares	Share capital S\$	Share capital RMB
<u>Issued and Paid-Up Capital</u>			
As at 31 December 2018	1,701,000,410	41,783,408	203,930,271
As at 30 June 2019	1,701,000,410	41,783,408	203,930,271

On 19 December 2018, the Company issued a bond denominated in Singapore Dollars with a principal amount of S\$12.0 million as the consideration for the acquisition of additional interest in Orion Energy Resources Pte. Ltd (“**Bond**”). The Bond will mature on 19 December 2021, but may be redeemed before maturity at the Company’s option. Please refer to the Company’s announcement dated 27 November 2018⁽¹⁾ and 19 December 2018. The Bond may be redeemed, at the Company’s option, through cash payment and/or through issuance of new fully-paid ordinary shares of the Company based on a fixed issue price of S\$0.012 per new share (“**Redemption Shares**”). In deciding the method of redemption, the Company will monitor its shareholdings and ensure that Redemption Shares will not be issued to the Vendor such that:

- (a) the Vendor and/or any person who may have an interest in such Redemption Shares through the Vendor will become a controlling shareholder of the Company, as defined under the Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Catalist Rules”); or
- (b) a mandatory offer is triggered in accordance with the Singapore Code on Take-overs and Mergers.

In determining whether any issuance of Redemption Shares may result in a change of controlling interest or trigger a mandatory offer, the Company shall take into consideration the existing share interests (if any) of the Vendor and/or any person who, through the Vendor, may have an interest in the Redemption Shares to be issued.

As at 30 June 2019, the Company had redeemed RMB36 million, which is approximately S\$7.2 million of the Bond through cash payment. There has been no redemption of the Bond in new ordinary shares of the Company since the date of their issue.

There were no treasury shares as at 30 June 2019 and 31 December 2018 respectively.

Note:

- (1) In the Company’s announcement dated 27 November 2018, the Company had inaccurately referred to the Bond as a “convertible bond”. The Company would like to clarify that the Bond is not a convertible bond as there is no option for the bondholder to convert the Bond into ordinary shares in the Company. Instead, the option to repay the Bond in cash or through issuance of new ordinary shares in the Company lies solely at the Company’s option. The Company had obtained shareholder’s approval for the issuance of the Bond at the last annual general meeting of the Company.

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

	<u>Company</u>	
	30.06.2019	31.12.2018
Number of ordinary shares in issue	1,701,000,410	1,701,000,410

The Company did not hold any treasury shares as at 30 June 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfer, disposal, 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.

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

The figures have neither been audited nor reviewed by the Company's auditors.

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

Not applicable. The figures have neither been audited nor reviewed by the Company's auditors.

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

The Group and the Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting financial year as in the audited financial statements for the financial year ended 31 December 2018, except for the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") which are effective for annual financial periods beginning on or after 1 January 2019.

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

The Group and the Company have adopted all the Singapore Financial Reporting Standards (International) ("SFRS(I)") which are effective for annual financial periods beginning on or after 1 January 2019, as mentioned in Paragraph 4 above. The adoption has no material financial impact on the financial statements of the Group and the Company for the current financial year reported on and prior reporting periods.

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

	Unaudited HY 2019	Unaudited HY 2018
<u>Earnings per share ("EPS") (RMB cents)</u>		
on weighted average number of ordinary shares	0.23	0.08
on fully diluted basis	0.23	0.08
<u>Net profit attributable to shareholders (RMB'000) used to compute</u>		
basic EPS/LPS	3,863	794
diluted EPS/LPS	3,863	794
<u>Weighted average number of ordinary shares in issue used to compute</u>		
basic LPS/EPS	1,701,000,410	(1) 977,903,725
diluted LPS/EPS	1,701,000,410	(1) 977,903,725

Note:

- (1) The calculation for the basic and diluted EPS is based on the weighted average number of ordinary shares in issue during the respective financial periods.
- (2) The basic and diluted EPS and LPS for HY2019 and HY2018 respectively were the same as there were no potentially dilutive securities in issue for the respective financial period.

7. Net asset value per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of: (a) current financial period reported on; and (b) immediate preceding financial year

	<u>Group</u>		<u>Company</u>	
	Unaudited 30.06.2019	Audited 31.12.2018	Unaudited 30.06.2019	Audited 31.12.2018
Net asset value per ordinary share based on existing issued share capital as at the end of period (RMB cents)	12.82	12.60	9.97	10.21
Net asset value as at the end of the period (RMB'000)	218,141	214,300	169,672	173,694
Number of ordinary shares in issue at the end of the period	1,701,000,410	1,701,000,410	1,701,000,410	1,701,000,410

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

8(a). REVIEW OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

The Group's revenue increased by RMB9.3 million or 4%, from RMB217.3 million in HY2018 to RMB226.6 million in HY2019, which was mainly contributed by the sale of thermal coal by the Company's subsidiary, Orion Energy Resources Pte Ltd ("Orion"). The increase in sales was mainly due to increase in sales volume from 743,210 MT in HY2018 to 844,520 MT in HY2019.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB11.8mil, which is consistent with HY2018 results of RMB11.7mil.

Consequently, the Group's overall gross profit margin of 5.2% for HY2019 remain the same level as recorded in HY2018 of 5.4%. For HY2019, most of contracts year to date are on spot basis which is closer to market price.

Other income

The Group's other income in HY2019 of RMB0.01mil is mainly derived from government grant while the other income in HY2018 was mainly derived from foreign exchange differences.

Other items of expenses

Administrative expenses of RMB5.1 million in HY2019 is fairly consistent with HY2018 results of RMB5.2 million.

High finance costs in HY2019 is mainly contributed by interest expense relating to the Bond.

Income tax

The Group incurred income tax expenses of RMB1.5 million in HY2019, which is consistent with HY2018 due to similar profit generated from its main operating subsidiary, Orion for the respective financial period.

8(b). REVIEW OF THE STATEMENTS OF FINANCIAL POSITION

The Group recorded positive working capital of RMB229.1 million as at 30 June 2019, as compared to RMB261.2 million as at 31 December 2018.

The Group's equity attributable to holders of the Company increased by RMB3.9 million, from RMB214.3 million as at 31 December 2018 to RMB218.2 million as at 30 June 2019. The increase was mainly due to profit earned by the Group during HY2019.

Non-current assets

Non-current assets decreased by RMB0.1 million, from RMB14.1 million as at 31 December 2018 to RMB14.0 million as at 30 June 2019 due to depreciation.

Current assets

Current assets decreased by RMB16.0 million from RMB268.3 million as at 31 December 2018 to RMB252.3 million as at 30 June 2019. This was mainly due to decrease in trade receivables by RMB4.8 million and decrease in bank and cash balances of RMB11.2 million as a result of Bond repayments.

Non-current liabilities

Non-current assets decreased by RM36.1 million, from RMB61.0 million as at 31 December 2018 to RMB24.9 million as at 30 June 2019, mainly due to Bond repayments.

Current liabilities

Current liabilities increased by RMB16.2 million, from RMB7.0 million as at 31 December 2018 to RMB23.2 million as at 30 June 2019. The increase was mainly due to increase of RMB15.3 million in trade and other payables which is in line with the increased thermal coal sales under Orion.

8(c). REVIEW OF THE STATEMENT OF CASH FLOWS

In HY2019, the net cash generated from operating activities before changes in working capital was RMB6.8 million. The net working capital inflow of RMB20.8 million was mainly due to (i) a decrease of RMB4.5 million in trade and other receivables, and (ii) an increase of RMB15.1 million in trade and other payables. The Group paid income tax of RMB0.6 million. This resulted in net cash generated from operating activities of RMB26.9 million.

In HY2019, the net cash used in financing activities amounted to RMB37.9 million, mainly due to Bond repayments.

As a result of the above, cash and cash equivalents stood at RMB1.8 million as at 30 June 2019.

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

Not applicable. No forecast or a prospect statement had been previously disclosed to shareholder.

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

The Group's subsidiary, Orion, has contributed to the Group's revenue and profit after tax of RMB226.6 million and RMB7.8 million respectively in HY2019. Sales volume for HY2019 has increased as China's customs begin to relax coal import restrictions since January 2019.

The Company continues to remain optimistic on the current supply-demand outlook for China, which accounts for the largest demand and supply of coal globally, leading the market on prices. Beyond China, the Group is also exploring opportunities to expand its customer portfolio. Despite of the difficult macroeconomic conditions facing the broader coal sector and financial markets, the Group will continue to focus on sustainable growth in the years ahead.

The Company is currently reviewing if there is any potential collaboration, joint venture, investment and/or acquisition in relation to Techcomm Technology Limited and its wholly-owned subsidiary, Xiamen Xinya Science and Technology Ltd ("Target Group"). The Target Group is a technology company that is developing and rolling out a revolutionary "new retail ecosystem" – a full spectrum of products which enables the digitalisation of businesses in order to improve all aspects of business management from front-to back-end across both online and offline retail channels. Please refer to the announcements dated 20 March 2019 for more details.

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) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No interim dividend has been declared or recommended for HY2019 as the Board of Directors of the Company deems it appropriate to retain the cash for the Group's working capital expenditure and for the Group's future growth.

13. Aggregate value of all Interested Person Transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual Section B: Rules of Catalyst

Particulars of interested person transactions ("IPTs") for the period 1 January 2019 to 30 June 2019

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) RMB'000
Sales: Artwell Minerals Resources Company Limited	Nil	204,240

14. Use of proceeds from the Placement Issue

The net proceeds arising from the allotment and issuance of the Placement Shares on 16 November 2018 was approximately S\$4.454 million (after deducting expenses of approximately S\$48,010, which, as at 30 June 2019, has been utilised as follows:

Use of proceeds	Allocated (S\$'000)	Utilised (S\$'000)	Balance (S\$'000)
Business developments through potential investments, acquisitions, joint ventures and collaborations and expanding the current business as carried out by the Company's subsidiary, Orion Energy Resources Pte. Ltd.	4,009	(4,009)	-
General working capital purposes	445	(445)	-
Total	4,454	(4,454)	-

15. Negative confirmation pursuant to Rule 705(5)

We, Chu Ming Kin and Teng Wai Leung Wilson, being Directors of the Company, do hereby confirm, on behalf of the Board of Directors of the Company (the "Board") that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the financial period ended 30 June 2019 to be false or misleading in any material aspect.

16. 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 Listing Manual.

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

BY ORDER OF THE BOARD

Chu Ming Kin
*Executive Chairman and
Chief Executive Officer*

14 August 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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

The contact person for the Sponsor is Mr. Bernard Lui, Telephone: +65 63893000, Email: bernard.lui@morganlewis.com