



Fabchem China Limited

Company registration number: 200413128G

Financial Statements for the 6-month (“6M2021”) and 12-month period ended 31 March 2021 (“12M2021”)

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	Group			Group		
	6 months from 1 Oct 2020 to 31 Mar 2021 RMB'000	6 months from 1 Oct 2019 to 31 Mar 2020 RMB'000	Increase/ (Decrease) %	12 months from 1 Apr 2020 to 31 Mar 2021 RMB'000	12 months from 1 Apr 2019 to 31 Mar 2020 RMB'000	Increase/ (Decrease) %
Revenue	58,523	57,963	1.0%	132,978	114,926	15.7%
Cost of sales	(42,297)	(40,762)	3.8%	(92,696)	(81,864)	13.2%
Gross profit	16,226	17,201	(5.7%)	40,282	33,062	21.8%
<u>Other Items of Income</u>						
Interest income	163	149	9.4%	286	275	4.0%
Other gains – Note (i)	1,820	6,687	(72.8%)	2,373	8,014	(70.4%)
<u>Other Items of Expense</u>						
Distribution costs	(8,355)	(8,193)	2.0%	(18,369)	(15,886)	15.6%
Administrative expenses	(19,595)	(20,987)	(6.6%)	(34,105)	(34,975)	(2.5%)
Financial costs – Note (ii)	(2,846)	(3,141)	(9.4%)	(5,280)	(5,404)	(2.3%)
Other losses – Note (iii)	(572)	(5,953)	(90.4%)	(1,062)	(5,953)	(82.2%)
Loss before tax	(13,159)	(14,237)	N.M.	(15,875)	(20,867)	N.M.
Income tax expense	(350)	(16,106)	(97.8%)	(700)	(16,456)	(95.7%)
Loss net of tax	(13,509)	(30,343)	N.M.	(16,575)	(37,323)	N.M.
<u>Other comprehensive income</u>						
Foreign currency translation reserve, net of tax	70	(23)	N.M.	102	(13)	N.M.
Total comprehensive loss for the year	(13,439)	(30,366)	N.M.	(16,473)	(37,336)	N.M.
Note (i) – Other Gains						
Reversal of allowance for impairment on trade receivables	696	6,326	(89.0%)	1,247	6,660	(81.3%)
Foreign exchange adjustment gains	-	209	N.M.	-	340	N.M.
Gain on disposal of assets held for sales	-	-	N.M.	-	631	N.M.
Gain on disposal of property, plant and equipment	203	13	1461.5%	203	33	515.2%
Government grants	921	-	N.M.	923	211	337.4%
Inventories write down reversal	-	139	N.M.	-	139	N.M.
	1,820	6,687	(72.8%)	2,373	8,014	(70.4%)

1(a)(i) An income statement for the group together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)

	Group			Group		
	6 months from 1 Oct 2020 to 31 Mar 2021 RMB'000	6 months from 1 Oct 2019 to 31 Mar 2020 RMB'000	Increase/(Decrease) %	12 months from 1 Apr 2020 to 31 Mar 2021 RMB'000	12 months from 1 Apr 2019 to 31 Mar 2020 RMB'000	Increase/(Decrease) %
Note (ii) – Financial costs						
Loan interest	(2,147)	(2,464)	(12.9%)	(3,878)	(4,078)	(4.9%)
Interest expenses on financial liabilities measured at amortised cost	(692)	(648)	6.8%	(1,384)	(1,297)	6.7%
Interest on lease liability	(7)	(29)	(75.9%)	(18)	(29)	(37.9%)
	<u>(2,846)</u>	<u>(3,141)</u>	<u>(9.4%)</u>	<u>(5,280)</u>	<u>(5,404)</u>	<u>(2.3%)</u>
Note (iii) – Other Losses						
Allowance for impairment on trade receivables	-	(3,829)	N.M.	-	(3,829)	N.M.
Allowance for impairment on other receivables	-	(378)	N.M.	-	(378)	N.M.
Foreign exchange adjustment loss	(553)	-	N.M.	(1,043)	-	N.M.
Property, plant and equipment written-off	(19)	-	N.M.	(19)	-	N.M.
Inventories written-off	-	(102)	N.M.	-	(102)	N.M.
Impairment on property, plant and equipment	-	(1,644)	N.M.	-	(1,644)	N.M.
	<u>(572)</u>	<u>(5,953)</u>	<u>(90.4%)</u>	<u>(1,062)</u>	<u>(5,953)</u>	<u>(82.2%)</u>
Loss before tax was stated after crediting / (charging) :-						
Allowance for impairment on trade receivables	-	(3,829)	N.M.	-	(3,829)	N.M.
Allowance for impairment on other receivables	-	(378)	N.M.	-	(378)	N.M.
Reversal of allowance for impairment on trade receivables	696	6,326	(89.0%)	1,247	6,660	(81.3%)
Depreciation of property, plant & equipment	(3,271)	(2,985)	9.6%	(6,256)	(5,776)	8.3%
Depreciation of right-of-use asset	(1,304)	(1,607)	(18.9%)	(2,609)	(2,609)	-
Foreign exchange adjustment (loss)/gain	(553)	209	N.M.	(1,043)	340	N.M.
Inventories write down reversal	-	139	N.M.	-	139	N.M.
Inventories written-off	-	(102)	N.M.	-	(102)	N.M.
Loan expense	(2,147)	(2,464)	(12.9%)	(3,878)	(4,078)	(4.9%)
Interest expenses on financial liabilities measured at amortised cost	(692)	(648)	6.8%	(1,384)	(1,297)	6.7%
Interest on lease liability	(7)	(29)	(75.9%)	(18)	(29)	(37.9%)
Interest income from bank deposits	163	149	9.4%	286	275	4.0%
Impairment on property, plant and equipment	-	(1,644)	N.M.	-	(1,644)	N.M.
Gain on disposal of assets held for sales	-	-	N.M.	-	631	N.M.
Gain on disposal of property, plant and equipment	203	13	1461.5%	203	33	515.2%
Property, plant and equipment written-off	(19)	-	N.M.	(19)	-	N.M.

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	
	Unaudited 31 March 2021 RMB'000	Audited 31 March 2020 RMB'000	Unaudited 31 March 2021 RMB'000	Audited 31 March 2020 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	100,638	101,139	-	-
Right-of-use assets	57,666	60,281	234	444
Investment in subsidiary	-	-	109,850	112,237
Deferred tax assets	-	-	-	-
Total non-current assets	158,304	161,420	110,084	112,681
Current assets :				
Inventories	29,667	29,434	-	-
Trade and other receivables (Note 1)	20,266	24,273	1,460	1,662
Other assets, current	20,888	19,896	188	206
Cash and cash equivalents	86,136	76,486	590	615
Total current assets	156,957	150,089	2,238	2,483
Total assets	315,261	311,509	112,322	115,164
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Accumulated losses	(67,499)	(50,924)	(4,840)	(5,205)
Other reserves	89,077	88,975	(2,334)	(48)
Total equity	138,427	154,900	109,675	111,596
Non-Current liabilities :				
Deferred tax liabilities	3,025	2,625	-	-
Lease liability	36	253	36	253
Other payables, non-current (Note 2)	-	11,560	-	-
Total non-current liabilities	3,061	14,438	36	253
Current liabilities :				
Trade and other payables (Note 2)	96,041	72,528	1,425	2,906
Other financial liabilities, current	57,500	58,000	-	-
Loan from a shareholder	975	-	975	-
Lease liability	211	205	211	205
Other liabilities	19,046	11,438	-	204
Total current liabilities	173,773	142,171	2,611	3,315
Total liabilities	176,834	156,609	2,647	3,568
Total liabilities and equity	315,261	311,509	112,322	115,164
Note 1				
Trade receivables	17,719	22,761	-	-
Amount receivable from subsidiary	-	-	1,455	1,453
Other receivables	2,547	1,512	5	209
Total trade and other receivables	20,266	24,273	1,460	1,662
Note 2				
Trade payables and accruals	60,843	60,270	997	2,111
Other payables	35,198	12,258	428	795
Total trade and other payables, current	96,041	72,528	1,425	2,906
Other payables, non-current	-	11,560	-	-
Total trade and other payables	96,041	84,088	1,425	2,906

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

(RMB'000)

31 March 2021		31 March 2020	
Secured	Unsecured	Secured	Unsecured
57,500	-	58,000	-

Amount repayable after one year

(RMB'000)

31 March 2021		31 March 2020	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 March 2021, the Group has aggregate secured short-term loans from financial institutions of RMB 57.5 million.

Secured short-term loans of RMB 57.5 million are secured using our subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology")'s land and buildings with net book value of approximately RMB 63.9 million. The secured short-term loans bear interest rate 4.35% to 4.80% per annum.

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		Group	
	6 months from 1 Oct 2020 to 31 Mar 2021 RMB'000	6 months from 1 Oct 2019 to 31 Mar 2020 RMB'000	12 months from 1 Apr 2020 to 31 Mar 2021 RMB'000	12 months from 1 Apr 2019 to 31 Mar 2020 RMB'000
Cash flows from operating activities				
Loss before tax from continuing operations	(13,159)	(14,237)	(15,875)	(20,867)
Adjustments for :				
Allowance for impairment on trade and other receivables	-	4,207	-	4,207
Reversal of allowance for impairment on trade receivables	(696)	(6,326)	(1,247)	(6,660)
Depreciation of property, plant & equipment	3,271	2,985	6,256	5,776
Depreciation of right-of-use assets	1,304	1,607	2,609	2,609
Gain on disposal of assets held for sales	-	-	-	(631)
Gain on disposal of property, plant and equipment	(203)	(13)	(203)	(33)
Provision for safety expenses	1,143	1,139	2,365	2,274
Impairment allowance on property, plant and equipment	-	1,644	-	1,644
Inventories write down reversal	-	(139)	-	(139)
Inventories written-off	-	102	-	102
Property, plant and equipment written-off	19	-	19	-
Net effect of exchange rate changes in translation of financial statements of parent	76	(23)	108	(13)
Interest expenses	2,846	3,141	5,280	5,404
Interest income	(163)	(149)	(286)	(275)
Operating cash flows before changes in working capital	(5,562)	(6,062)	(974)	(6,602)
Inventories	(1,023)	(3,838)	(233)	(6,485)
Trade and other receivables	(4,176)	2,660	5,254	9,198
Other assets	2,343	(981)	(992)	(6,769)
Trade and other payables	17,715	3,576	10,569	6,830
Other liabilities	1,895	(1,365)	5,243	4,792
Net cash flows from / (used in) operations	11,192	(6,010)	18,867	964
Income taxes paid	(300)	(250)	(300)	(500)
Net cash flows from / (used in) operating activities	10,892	(6,260)	18,567	464
Cash flows from investing activities				
Proceeds from disposal of assets held for sales	-	-	-	3,684
Proceeds from disposal of property, plant and equipment	339	13	339	33
Purchase of property, plant and equipment	(3,579)	(3,261)	(5,910)	(6,879)
Interest received	163	149	286	275
Net cash flows used in investing activities	(3,077)	(3,099)	(5,285)	(2,887)
Cash flows from financing activities				
Proceeds from bank borrowings	21,500	28,000	62,500	58,000
Proceeds from loan from a shareholder	975	-	975	-
Repayment of borrowings	(22,000)	(10,000)	(63,000)	(58,000)
Repayment of lease liabilities	(116)	(191)	(229)	(191)
Interest paid	(2,147)	(2,493)	(3,878)	(4,107)
Net cash flows (used in) / from financing activities	(1,788)	15,316	(3,632)	(4,298)
Net increase / (decrease) in cash and cash equivalents	6,027	5,957	9,650	(6,721)
Cash and cash equivalents, statement of cash flows, beginning balance	80,109	70,529	76,486	83,207
Cash and cash equivalents, statement of cash flows, ending balance	86,136	76,486	86,136	76,486

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.

	Share capital	Statutory reserves	Capital reserve	Foreign exchange translation reserves	Accumulated losses	Total
Group (RMB'000)						
Balance at 1 April 2020	116,849	44,117	44,000	858	(50,924)	154,900
Total comprehensive loss for the period	-	-	-	32	(3,066)	(3,034)
Balance at 30 September 2020	116,849	44,117	44,000	890	(53,990)	151,866
Total comprehensive loss for the period	-	-	-	70	(13,509)	(13,439)
Balance at 31 March 2021	116,849	44,117	44,000	960	(67,499)	138,427
Balance at 1 April 2019	116,849	44,117	44,000	871	(13,601)	192,236
Total comprehensive loss for the period	-	-	-	10	(6,980)	(6,970)
Balance at 30 September 2019	116,849	44,117	44,000	881	(20,581)	185,266
Total comprehensive loss for the period	-	-	-	(23)	(30,343)	(30,366)
Balance at 31 March 2020	116,849	44,117	44,000	858	(50,924)	154,900

	Share capital	Foreign exchange translation reserve	Retained earnings/ (Accumulated losses)	Total
Company (RMB'000)				
Balance at 1 April 2020	116,849	(48)	(5,205)	111,596
Total comprehensive loss for the period	-	(56)	(2,819)	(2,875)
Balance at 30 September 2020	116,849	(104)	(8,024)	108,721
Total comprehensive income for the period	-	(2,230)	3,184	954
Balance at 31 March 2021	116,849	(2,334)	(4,840)	109,675
Balance at 1 April 2019	116,849	(664)	(1,802)	114,383
Total comprehensive income for the period	-	4,821	(4,734)	87
Balance at 30 September 2019	116,849	4,157	(6,536)	114,470
Total comprehensive loss for the period	-	(4,205)	1,331	(2,874)
Balance at 31 March 2020	116,849	(48)	(5,205)	111,596

1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, 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 also the number of shares that may be issued on conversion of all the outstanding convertibles 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.

Not Applicable.

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.

	Group	
	31 March 2021	31 March 2020
Total number of issued shares	46,800,000	46,800,000

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

There is no sale, transfer, disposal, cancellation and/or use of treasury shares 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.

There is no sale, transfer, disposal, cancellation and/or use of subsidiary holdings 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).

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

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

The Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements.

The audited financial statements for the financial year ended 31 March 2020 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council.

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.**

There are no material changes in the accounting policies and methods of computation.

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.**

	Group		Group	
	6 months ended 31 Mar 2021	6 months ended 31 Mar 2020	12 months ended 31 Mar 2021	12 months ended 31 Mar 2020
	RMB cents	RMB cents	RMB cents	RMB cents
Loss per ordinary share for the year based on net profit attributable to shareholders :				
Based on weighted average number of ordinary shares in issue	(28.87)	(64.84)	(35.42)	(79.75)
Weighted average number of ordinary shares in issue for basic earnings per share	46,800,000	46,800,000	46,800,000	46,800,000

There is no dilution of shares as there are no shares under option.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-**
 (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

	Group		Company	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued capital at the end of the financial year	295.78	330.98	234.35	238.45
Number of shares used in calculating net asset value	46,800,000	46,800,000	46,800,000	46,800,000

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 :-
- 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
 - any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.

Revenue

Revenue for the 6-month period ended 31 March 2021 ("6M2021") increased marginally by approximately RMB 560,000 or 1.0%, from RMB 58.0 million for the 6-month period ended 31 March 2020 ("6M2020") to RMB 58.5 million for 6M2021. Revenue for the 12-month period ended 31 March 2021 ("12M2021") increased by approximately RMB 18.1 million or 15.7%, from RMB 114.9 million for the 12-month period ended 31 March 2020 ("12M2020") to RMB 133.0 million for 12M2021.

Revenue from explosives devices increased mainly attributed to the higher production and sales of boosters as the supply of explosives raw materials gradually stabilised during the current financial period under review. Sales of industrial fuse and initiating explosive devices improved mainly due to the slight increase in sales of detonating cords during 12M2021. Sales of industrial detonators decreased mainly due to the gradual shift towards electronic detonators as mentioned in our previous announcements.

Our products can be categorised mainly into (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes and (c) industrial detonators such as piston non-electric detonators. The breakdown and comparison of our revenue by the above product types and geographical segments between 6M2021 and 6M2020 and between 12-month period ended 31 March 2021 ("12M2021") and the 12-month period ended 31 March 2020 ("12M2020") are as follows:

<u>Business Segments</u>	6M2021		6M2020		% change
	RMB'000	%	RMB'000	%	
Explosives devices	34,529	59.0%	31,551	54.4%	9.4%
Industrial fuse and initiating explosive devices	9,018	15.4%	7,571	13.1%	19.1%
Industrial detonators	14,960	25.6%	18,840	32.5%	(20.6%)
Others ⁽¹⁾	16	-	1	N.M.	N.M.
	58,523	100.0%	57,963	100.0%	1.0%

Geographic Segments

Within PRC	32,235	55.1%	33,261	57.4%	(3.1%)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	-	-	2,907	5.0%	N.M.
Australia	21,402	36.6%	20,060	34.6%	6.7%
Other countries	4,886	8.3%	1,735	3.0%	181.6%
	26,288	44.9%	24,702	42.6%	6.4%
	58,523	100.0%	57,963	100.0%	1.0%

<u>Business Segments</u>	12M2021		12M2020		% change
	RMB'000	%	RMB'000	%	
Explosives devices	72,709	54.7%	51,673	45.0%	40.7%
Industrial fuse and initiating explosive devices	21,003	15.8%	18,822	16.4%	11.6%
Industrial detonators	39,247	29.5%	44,427	38.6%	(11.7%)
Others ⁽¹⁾	19	-	4	-	-
Total revenue	132,978	100.0%	114,926	100.0%	15.7%

Geographic Segments

Within PRC	76,956	57.9%	79,140	68.9%	(2.8%)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	11,349	8.5%	3,399	2.9%	233.9%
Australia	39,193	29.5%	30,652	26.7%	27.9%
Others	5,480	4.1%	1,735	1.5%	215.9%
	56,022	42.1%	35,786	31.1%	56.5%
Total revenue	132,978	100.0%	114,926	100.0%	15.7%

Notes :

(1) Others include sales of raw materials and packaging materials

(2) These were sales to export distributors in the PRC in which they export the products to their customers overseas.

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 :-

- 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
- any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)

Revenue (Cont'd)

a) Sales within PRC

During 6M2021, sales within PRC decreased marginally by approximately RMB 1.0 million or 3.1% from RMB 33.3 million in 6M2020 to RMB 32.2 million in 6M2021. For 12M2021, sales within PRC decreased marginally by approximately RMB 2.2 million or 2.8% from RMB 79.1 million in 6M2020 to RMB 77.0 million in 12M2021.

b) Sales through export distributors

During 6M2021, there were no export sales through export distributor.

During 12M2021, export sales through export distributors increased mainly due to an increase in production and sales of boosters as the supply of explosives raw materials gradually stabilised during the current period under review.

c) Sales to Australia

During 6M2021 and 12M2021, sales to Australia increased by approximately RMB 1.3 million or 6.7% and RMB 8.5 million or 27.9% respectively.

The increase in our sales to Australia was mainly due to an increase in production and sales of boosters as the supply of explosives raw materials gradually stabilised during the current period under review.

d) Sales to other countries

During 6M2021 and 12M2021, sales to other countries increased by approximately RMB 3.2 million or 181.6% and RMB 3.7 million or 215.9% respectively mainly due to an increase in production and sales of boosters as the supply of explosives raw materials gradually stabilised during the current period under review.

All domestic PRC sales contracts and export applications sought by export agents have been approved by the Ministry of Industry and Information Technology, Department of Work Safety ("MIIT").

Gross profit margin

During 6M2021, the Group's gross profit margin declined by approximately 2.0 percentage points, from 29.7% in 6M2020 to 27.7% in 6M2021. However, during 12M2021, the Group's gross profit margin improved by approximately 1.5 percentage points, from 28.8% during 12M2020 to 30.3% in 12M2021. The improved gross profit margin for the 12M2021 is mainly due to the improved economies of scale from higher production activities and increased sales volume achieved during the current period under review.

Interest income / (Finance costs)

During 6M2021 and 12M2021, interest income increased marginally by approximately RMB 14,000 or 9.4% and RMB 11,000 or 4.0% respectively.

During 6M2021 and 12M2021, finance costs decreased marginally by approximately RMB 0.3 million or 9.4% and RMB 0.1 million or 2.3% respectively. Finance costs comprised loan interest from bank borrowings, interest expenses on financial liabilities measured at amortised cost and interest on lease liability recognised in accordance to SFRS(I) 16.

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 :-**
- **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**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Other gains / (Other losses)

For 6M2021, other gains relate to reversal of allowance for impairment on trade receivables of RMB 696,000, gain on disposal of property, plant and equipment of approximately RMB 203,000 and government grants of RMB 921,000. For 6Q2020, other gains relate to reversal of allowance for impairment on trade receivables of RMB 6.3 million, foreign exchange adjustment gain of approximately RMB 209,000, gain on disposal of property, plant and equipment of approximately RMB 13,000 and government grants of RMB 139,000.

For 12M2021, other gains relate to reversal of allowance for impairment on trade receivables of RMB 1.2 million, gain on disposal of property, plant and equipment of approximately RMB 203,000 and government grants of approximately RMB 923,000. For 12M2020, other gains relate to reversal of allowance for impairment on trade receivables of RMB 6.7 million, foreign exchange adjustment gain of approximately RMB 340,000, gain on disposal of assets held for sales of approximately RMB 631,000, gain on disposal of property, plant and equipment of approximately RMB 33,000, government grants of approximately RMB 211,000 and reversal of inventories written-down of RMB 139,000.

For 6M2021 and 12M2021, other losses relate to foreign exchange adjustment loss and write-of of property, plant and equipment. For 6M2020 and 12M2020, other losses relate to allowance for impairment on trade and other receivables, write-off of inventories and impairment loss on property, plant and equipment.

Gain on disposal of property, plant & equipment relates to the disposal of certain machineries that were no longer in use. Gain on disposal of assets held for sales relates to disposal gain on sale of those assets held for sale as at 31 March 2019. Government grants relate to ad hoc government grants for various purposes including safety awareness.

Foreign exchange adjustment gain/(losses) arose mainly from foreign exchange rate fluctuation among Renminbi (RMB), United States Dollar (US\$) and Singapore Dollars (S\$).

Allowance for impairment on trade receivables was based on a forward-looking expected credit loss ("ECL") model in accordance to the new SFRS(I) 9 which came into effect from 1 April 2018. Reversal of allowance for impairment on trade receivables is due to repayment of trade debts from customers.

Operating expenses

The Group's distribution costs for 6M2021 and 12M2021 increased in line with the increase in revenue for 6M2021 and 12M2021.

Administrative expenses for 6M2021 and 12M2021 decreased marginally by RMB 1.4 million or 6.6% and RMB 0.9 million or 2.5% respectively as majority of the Group's administrative expenses are fixed components.

For the 6M2021 and 12M2021, depreciation of property, plant and equipment increased marginally by approximately RMB 0.3 million or 9.6% and RMB 0.5 million or 8.3% mainly due to additions to property, plant & equipment.

For 12M2021, depreciation of right-of-use assets remained the same as 12M2020.

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 :-**
- **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**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Income tax expenses

The income tax expenses for 6M2021 and 12M2021 were mainly related to the provision of withholding tax for undistributed profits of the subsidiary to the Group. The income tax expenses for 6M2020 and 12M2020 were mainly related to reversal of deferred tax assets during the respective periods.

Statement of Financial Position

Property, plant and equipment decreased by approximately RMB 0.5 million, mainly due to the depreciation charged for the current period under review of approximately RMB 6.3 million which was partially offset by the acquisition of property, plant and equipment of approximately RMB 5.9 million.

Right-of-use assets was recognised for land use rights and lease commitments for Singapore's rented office space in accordance with SFRS(I) 16. The decrease is mainly due to depreciation of right-of-use assets of approximately RMB 2.6 million.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 18.9%, 12.9%, 13.3% and 54.9% respectively of our total current assets as at 31 March 2021.

Inventories increased marginally by approximately RMB 0.2 million or 0.8% to RMB 29.7 million as at 31 March 2021, as compared to RMB 29.4 million as at 31 March 2020.

During the current period under review, trade and other receivables decreased by approximately RMB 4.0 million or 16.5% to RMB 20.3 million as at 31 March 2021. The decrease was mainly due to faster collection of trade receivables during the current period under review.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 1.0 million or 5.0% to RMB 20.9 million as at 31 March 2021. The increase was mainly due to an increase in advance payment to suppliers to secure the necessary raw materials for production.

As at 31 March 2021, our current liabilities comprised of trade and other payables of approximately RMB 96.0 million, other current financial liabilities of approximately RMB 57.5 million, loan from shareholder of approximately RMB 975,000, current portion of lease liabilities of approximately RMB 211,000 and other liabilities of RMB 19.0 million. Non-current liabilities comprised of deferred tax liabilities of RMB 3.0 million and non-current portion of lease liabilities of approximately RMB 36,000.

Trade and other payables increased by approximately RMB 23.5 million or 11.3%. The increase was mainly due to an amount of approximately RMB 22.2 million pertaining to the acquisition of the office properties from a related party which was approved during the Extraordinary General Meeting on 31 July 2017 and was classified as current liabilities as at 31 March 2021. The increase was also due to the increase in other payables for the third automation production line for booster.

As at 31 March 2021, other current financial liabilities of RMB 57.5 million relates to the secured short-term bank loans of Yinguang Technology.

Loan from a shareholder relates to the drawdown of S\$200,000 from the loan agreement signed between the Company and Triple Vision Pte Ltd as announced by the Company on 23 February 2021.

Lease liability was recognised in accordance to SFRS(I) 16, and was recognised together with the right-of-use assets in relation to the capitalisation of obligations under operating lease commitments for Singapore's rental office space.

As at 31 March 2021, other liabilities of RMB 19.0 million relate to the Group's provision for safety expenses and advances from customers. Other liabilities increased by RMB 7.4 million or 67.3% mainly due to increase in advances from customers for the purchase of our commercial explosives products.

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 :-**
- **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**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Statement of Financial Position (Cont'd)

Deferred tax liabilities of RMB 3.0 million relate to the deferred tax liabilities for the withholding tax on the dividend payable by our subsidiary in China.

Cash flow

For 6M2021, the Group has net cash from operating activities of approximately RMB 10.9 million, net cash used in investing activities of approximately RMB 3.0 million and net cash used in financing activities of approximately RMB 1.8 million.

For 12M2021, the Group generated net cash from operating activities of approximately RMB 18.6 million and net cash used in financing and investing activities of approximately RMB 5.3 million and RMB 3.6 million respectively.

The net cash from operating activities for 6M2021 was mainly due to the increase in trade and other payables and other liabilities during the period under review. The net cash from operating activities for 12M2021 was mainly due to the decrease in trade and other receivables, increase in trade and other payables and other liabilities during the period under review.

The net cash used in investing activities for 6M2021 and 12M2021 of approximately RMB 3.1 million and RMB 5.3 million respectively were mainly due to the purchase of property, plant and equipment.

The net cash used in financing activities for 6M2021 and 12M2021 of approximately RMB 1.8 million and RMB 3.6 million respectively were mainly due to the payment of interest expenses on bank borrowings, partially offset by the proceeds from loan from a shareholder.

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

The current 6-month results for period ended 31 March 2021 are in line with the Company's commentary as disclosed under paragraph 10 of the first 6-month results announcement for the financial period ended 30 September 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.**

Update on boosters production facilities

While the management has the intention to gradually increase the production capacities for both automated booster production lines currently in operation, the temporary shortage of explosives raw materials (as previously announced) and COVID-19 have affected our production schedule and led to lower production of explosive devices. Hence, the management had decided to slow down the installation for the third automated booster production line and postpone the completion until a later date. The management will keep our Shareholders updated on the progress of the third automated booster production line in due course.

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. (Cont'd)**

Proposed Disposal, Proposed Capital Reduction, Proposed Acquisition and Proposed Transfer to Catalist

On 19 March 2021, the Company announced that it had entered into a sale and purchase agreement with Triple Vision Pte Ltd (“**Triple Vision**”) to sell to Triple Vision, the Company’s ownership of the aggregate RMB156 million registered capital of Shandong Yinguang Technology Co., Ltd (山东银光科技有限公司) (“**Yinguang Technology**”), representing 100% of the entire fully-paid registered capital of Yinguang Technology, in exchange for payment of S\$18.0 million in cash by Triple Vision (“**Proposed Disposal**”).

Subsequent to the Proposed Disposal, the Company intends to undertake a capital reduction exercise (“**Proposed Capital Reduction**”) pursuant to and subject to compliance with Section 78A read with 78C of the Companies Act (Cap 50) of Singapore, for a cash distribution, *pro-rata*, to all shareholders of the Company (“**Shareholders**”) of S\$0.368 for each ordinary share in the equity capital of the Company (“**Share**”) held by Shareholders as at a books closure date to be determined by the Directors in their sole and absolute discretion for the purpose of determining the entitlement of the Shareholders to the cash distribution pursuant to the Proposed Capital Reduction.

Upon the completion of the Proposed Disposal, the Company will cease to have any operating business and will be deemed as a cash company under Rule 1018 of the Listing Manual of the SGX-ST (“**Listing Rules**”). The Company will comply with the requirements of Rule 1018 for a cash company.

The Proposed Disposal is an interested person transaction under Chapter 9 of the Listing Rules and the Proposed Disposal and Proposed Capital Reduction are subject to, *inter alia*, approval of Shareholders at an extraordinary general meeting of the Company (“**EGM**”). The Company will convene the EGM for the Proposed Disposal and Proposed Capital Reduction, and issue a circular to Shareholders with the notice of EGM in due course.

Please refer to the Company’s announcement on 19 March 2021 for more information on the Proposed Disposal and Proposed Capital Reduction.

On 22 April 2021, the Company announced that it had entered into a sale and purchase agreement (“**Acquisition Agreement**”) with Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoo (collectively the “**Vendors**” and each a “**Vendor**”) to acquire 100.0% of the shares in the entire issued and paid-up share capital of Lincotrade & Associates Pte Ltd (“**Proposed Acquisition**”) in consideration for the allotment and issuance of an aggregate 113,636,363 new Shares by the Company, credited as fully paid-up, to the Vendors (“**Consideration Shares**”), at an issue price of S\$0.22 per Consideration Share.

In connection with the Proposed Acquisition, the Company will also seek to transfer the listing and quotation of its Shares from the Mainboard of the SGX-ST to the Catalist board of the SGX-ST (“**Catalist**”) pursuant to Rule 410 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”), subject to receipt of the required approvals (“**Proposed Transfer to Catalist**”).

The Proposed Acquisition, if undertaken and completed, is expected to result in a reverse take-over of the Company under Chapter 10 of the Listing Rules and the Proposed Acquisition, Proposed Transfer to Catalist and other related transactions in connection with the Proposed Acquisition, are subject to, *inter alia*, satisfaction of conditions precedent set out in the Acquisition Agreement and receipt of all relevant approvals, including that of the SGX-ST, the Securities Industry Council and Shareholders. The Company will convene a separate EGM for the Proposed Acquisition, Proposed Transfer to Catalist and other related transactions in connection with the Proposed Acquisition, and issue a circular to Shareholders with the notice of EGM in due course.

Please refer to the Company’s announcement on 22 April 2021 for more information on the Proposed Acquisition.

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. (Cont'd)**

Proposed Disposal, Proposed Capital Reduction, Proposed Acquisition and Proposed Transfer to Catalyst (Cont'd)

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Disposal, Proposed Capital Reduction, Proposed Acquisition and Proposed Transfer to Catalyst will proceed to completion, as the respective completion thereof are subject to, *inter alia*, the fulfilment of all the conditions precedent in the respective agreements and receipt of the relevant approvals. Shareholders and potential investors of the Company are advised to read the Company's announcements on 19 March 2021 and 22 April 2021, any further announcements by the Company and the relevant circulars to Shareholders to be issued by the Company carefully and in their entirety. Shareholders and potential investors of the Company should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

11. **Dividend**

(a) ***Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

None.

(b) ***Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) ***Date payable***

Not applicable.

(d) ***Books closure 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/recommended for the current financial period reported on as the Company is making losses.

13. Interested Person Transaction

		Aggregate value of all interested person transaction (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
Name of interested person	Nature	6M2021	6M2020	6M2021	6M2020
		RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Security Services Co., Ltd ⁽¹⁾	Provision of security services	—	—	4,000	—
		12M2021	12M2020	12M2021	12M2020
		RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Security Services Co., Ltd ⁽¹⁾	Provision of security services	—	—	10,000	6,200

Footnote:

- ⁽¹⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 31 July 2017 and was updated and approved at the Annual General Meeting held on 28 September 2020. RMB 10.0 million for 12M2021 consists of two contracts signed for an aggregate 20-month period from 1 May 2020 to 31 December 2021, whereas the 12M2020's RMB 6.2 million consists of one contract signed for the 12-month period from 1 May 2019 to 30 April 2020. This is to coincide the contract period with China fiscal year.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

15. Negative assurance confirmation pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the 6-month period ended 31 March 2021 set out above to be false or misleading in any material aspect.

For and On behalf of the Board of Directors

Bao Hongwei
Managing Director

Sun Bowen
Director

**BY ORDER OF THE BOARD
BAO HONGWEI
MANAGING DIRECTOR
14 MAY 2021**