



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Half Year ended 30 September 2020 (“HY2021”)

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR AND FULL YEAR RESULTS

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		Increase/ (Decrease) %
	Unaudited HY2021 RMB'000	Unaudited HY2020 RMB'000	
Revenue	74,455	56,963	30.7
Cost of sales	(50,399)	(41,102)	22.6
Gross profit	24,056	15,861	51.7
<u>Other Items of Income</u>			
Interest income	123	126	(2.4)
Other gains – Note (i)	553	1,327	(58.3)
<u>Other Items of Expense</u>			
Distribution costs	(10,014)	(7,693)	30.2
Administrative expenses	(14,510)	(13,988)	3.7
Finance costs – Note (ii)	(2,434)	(2,263)	7.6
Other losses – Note (iii)	(490)	-	N.M.
Loss before tax	(2,716)	(6,630)	N.M.
Income tax expenses	(350)	(350)	-
Loss after tax	(3,066)	(6,980)	N.M.
<u>Other comprehensive income</u>			
Foreign currency translation reserve, net of tax	32	10	220.0
Total comprehensive loss for the year	(3,034)	(6,970)	N.M.
Note (i) – Other Gains			
Reversal of allowance for impairment on trade receivables	551	334	65.0
Foreign exchange adjustment gains	-	131	N.M.
Gain on disposal of assets held for sales	-	631	N.M.
Gain on disposal of property, plant and equipment	-	20	N.M.
Government grants	2	211	(99.1)
	553	1,327	(58.3)
Note (ii) – Finance costs			
Loan interest	(1,731)	(1,614)	7.2
Interest expenses on financial liabilities measured at amortised cost	(692)	(649)	6.6
Interest on lease liability	(11)	-	N.M.
	(2,434)	(2,263)	7.6

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. (Cont'd)

Group		Increase/ (Decrease) %
Unaudited HY2021 RMB'000	Unaudited HY2020 RMB'000	

Note (iii) – Other Losses

Foreign exchange adjustment losses	(490)	-	N.M.
	(490)	-	N.M.

1(a)(ii) Loss before tax was stated after crediting / (charging) :-

Group		Increase/ (Decrease) %
Unaudited HY2021 RMB'000	Unaudited HY2020 RMB'000	

Reversal of allowance for impairment on trade receivables	551	334	65.0
Depreciation of property, plant & equipment	(2,985)	(2,791)	7.0
Depreciation of right-of-use asset	(1,305)	(1,002)	30.2
Foreign exchange adjustment (loss)/gain	(490)	131	N.M.
Gain on sale of property, plant and equipment	-	20	N.M.
Gain on sale of assets held for sale	-	631	N.M.
Loan interest	(1,731)	(1,614)	7.2
Interest expenses on financial liabilities measured at amortised cost	(692)	(649)	6.6
Interest on lease liability	(11)	-	N.M.
Interest income from bank deposits	123	126	(2.4%)

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 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	100,485	101,139	-	-
Right-of-use assets	58,976	60,281	341	444
Investment in subsidiary	-	-	112,149	112,237
Deferred tax assets	-	-	-	-
Total non-current assets	159,461	161,420	112,490	112,681
Current assets :				
Inventories	28,644	29,434	-	-
Trade and other receivables (Note 1)	15,394	24,273	41	1,662
Other assets, current	23,231	19,896	178	206
Cash and cash equivalents	80,109	76,486	281	615
Total current assets	147,378	150,089	500	2,483
Total assets	306,839	311,509	112,990	115,164
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Accumulated losses	(53,990)	(50,924)	(8,024)	(5,205)
Other reserves	89,007	88,975	(104)	(48)
Total equity	151,866	154,900	108,721	111,596
Non-Current liabilities :				
Deferred tax liabilities	2,975	2,625	-	-
Lease liability	146	253	146	253
Other payables, non-current (Note 2)	21,497	20,805	-	-
Total non-current liabilities	24,618	23,683	146	253
Current liabilities :				
Trade and other payables (Note 2)	56,137	63,283	3,877	2,906
Other financial liabilities, current	58,000	58,000	-	-
Lease liability	210	205	210	205
Other liabilities	16,008	11,438	36	204
Total current liabilities	130,355	132,926	4,123	3,315
Total liabilities	154,973	156,609	4,269	3,568
Total liabilities and equity	306,839	311,509	112,990	115,164

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. (Cont'd)

	Group		Company	
	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000	Unaudited 30 September 2020 RMB'000	Audited 31 March 2020 RMB'000
Note 1				
Trade receivables	14,325	22,761	-	-
Amount receivable from subsidiary	-	-	-	1,453
Other receivables	1,069	1,512	41	209
Trade and other receivables	15,394	24,273	41	1,662

Note 2

Trade payables and accruals	52,478	60,270	2,952	2,111
Other payables	3,659	3,013	925	795
Trade and other payables, current	56,137	63,283	3,877	2,906
Other payables, non-current	21,497	20,805	-	-
Trade and other payables	77,634	84,088	3,877	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)

30 September 2020		31 March 2020	
Secured	Unsecured	Secured	Unsecured
58,000	-	58,000	-

Amount repayable after one year

(RMB'000)

30 September 2020		31 March 2020	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 September 2020, the Group has aggregate secured short-term loans from financial institutions of RMB 58.0 million.

Secured short-term loans of RMB 58.0 million are secured using our subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology")'s land and buildings with net book value of approximately RMB 65.9 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	
	Unaudited	Unaudited
	6 months from 1 Apr 2020 to 30 Sept 2020 RMB'000	6 months from 1 Apr 2019 to 30 Sept 2019 RMB'000
Cash flows from operating activities		
Loss before tax	(2,716)	(6,630)
Adjustments for :		
Allowance for impairment on trade receivables - reversal	(551)	(334)
Depreciation of property, plant & equipment	2,985	2,791
Depreciation of right-of-use assets	1,305	1,002
Gain on sale of property, plant and equipment	-	(20)
Gain on sale of assets held for sales	-	(631)
Provision for safety expenses	1,222	1,135
Interest income	(123)	(126)
Interest expenses	2,434	2,263
Net effect of exchange rate changes in translation of financial statements of Parent	32	10
Operating profit / (loss) before working capital changes	4,588	(540)
Inventories	790	(2,647)
Trade and other receivables	9,430	6,537
Other assets	(3,335)	(5,788)
Trade and other payables	(7,146)	3,254
Other liabilities	3,348	6,157
Cash generated from operations	7,675	6,973
Income tax paid	-	(250)
Net cash flows from operating activities	7,675	6,723
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	20
Proceeds from sale of assets held for sale	-	3,685
Purchase of property, plant and equipment	(2,331)	(3,618)
Interest received	123	126
Net cash flows (used in) / from investing activities	(2,208)	213
Cash flows from financing activities		
Proceeds from bank borrowings	41,000	30,000
Repayment of borrowings	(41,000)	(48,000)
Loan interest paid	(1,731)	(1,614)
Lease payments	(113)	-
Net cash used in financing activities	(1,844)	(19,614)
Net increase / (decrease) in cash	3,623	(12,678)
Cash and cash equivalents at beginning of the period	76,486	83,207
Cash and cash equivalents at end of the period	80,109	70,529

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 reserve	Capital reserve	Foreign currency translation reserve	(Accumulated losses) / Retained earnings	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 year	-	-	-	32	(3,066)	(3,034)
Balance at 30 September 2020	116,849	44,117	44,000	890	(53,990)	151,866
Balance at 1 April 2019	116,849	44,117	44,000	871	(13,601)	192,236
Total comprehensive loss for the year	-	-	-	10	(6,980)	(6,970)
Balance at 30 September 2019	116,849	44,117	44,000	881	(20,581)	185,266
		Share capital		Foreign currency translation reserve	Accumulated losses	Total
Company (RMB'000)						
Balance at 1 April 2020		116,849		(48)	(5,205)	111,596
Total comprehensive loss for the year		-		(56)	(2,819)	(2,875)
Balance at 30 September 2020		116,849		(104)	(8,024)	108,721
Balance at 1 April 2019		116,849		(664)	(1,802)	114,383
Total comprehensive income for the year		-		4,821	(4,734)	87
Balance at 30 September 2019		116,849		4,157	(6,536)	114,470

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 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.

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	
	30 September 2020	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.

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.

Loss per ordinary share for the year based on net loss attributable to shareholders :

Based on weighted average number of ordinary shares in issue

Weighted average number of ordinary shares in issue for basic earnings per share

Group	
Unaudited HY2021	Unaudited HY2020
RMB cents	RMB cents
(6.55)	(14.91)
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 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	
	Unaudited 30 Sept 2020	Audited 31 March 2020	Unaudited 30 Sept 2020	Audited 31 March 2020
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued shares at the end of the financial year	324.50	330.98	232.31	238.45
Number of issued shares use 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

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; (c) industrial detonators such as non-electric detonators and piston non-electric detonators. The breakdown of our revenue by the above-mentioned product types and geographical segments during the half year ended 30 September 2019 ("HY2020") and half year ended 30 September 2020 ("HY2021") are as follows:

Product Types	Group				% change
	HY2021		HY2020		
	RMB'000	%	RMB'000	%	
Explosive devices	38,180	51.3	20,122	35.3	89.7
Industrial fuse and initiating explosive devices	11,985	16.1	11,251	19.8	6.5
Industrial detonators	24,287	32.6	25,587	44.9	(5.1)
Others ⁽¹⁾	3	-	3	-	-
Total revenue	74,455	100.0	56,963	100.0	30.7

Geographical Segments	Group				% change
	HY2021		HY2020		
	RMB'000	%	RMB'000	%	
Within PRC	44,721	60.1	45,879	80.5	(2.5)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	11,349	15.2	492	0.9	2206.7
Australia	17,791	23.9	10,592	18.6	68.0
Other countries	594	0.8	-	-	N.M.
Total revenue	74,455	100.0	56,963	100.0	30.7

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

During HY2021, revenue increased by approximately RMB 17.5 million or 30.7% to RMB 74.5 million from RMB 57.0 million in HY2020. The increase in revenue was mainly attributed to the higher production and sales of boosters as the supply of explosives raw materials gradually stabilises during HY2021. Before HY2021, the Group experienced temporary shortage of explosives raw materials that affected our production schedule for the manufacturing of explosives devices, in particular boosters, which was a key product segment exported to overseas customers.

a) **Sales within PRC**

During HY2021, sales within PRC decreased marginally by approximately RMB 1.2 million or 2.5%.

b) **Sales through export distributors and sales to Australia**

During HY2021, sales through export distributors and sales to Australia increased by RMB 10.9 million and RMB 7.2 million respectively, mainly due to an increase in production and sales of boosters as the supply of explosives raw materials gradually stabilises during HY2021.

c) **Sales to other countries**

During HY2021, sales to other countries registered RMB 0.6 million, while no such sales was registered for HY2020.

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 HY2021, the Group's gross profit margin improved by approximately 4.5 percentage points, from 27.8% during HY2020 to 32.3% in HY2021 due to increased economies of scale from higher production activities and improved sales volume.

Interest income / (Finance costs)

Interest income decreased marginally by approximately RMB 3,000 or 2.4%.

Finance costs increased marginally by approximately RMB 171,000 or 7.6% to RMB 2.4 million in HY2021 from RMB 2.3 million in HY2020. Of which, interest expenses paid to financial institution increased marginally by approximately RMB 117,000 or 7.2% and interest expenses on financial liabilities measured at amortised cost increased marginally by approximately RMB 43,000 or 6.6%. During HY2021, interest on lease liability of RMB 11,000 is 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 HY2021, other gains relate to reversal of allowance for impairment on trade receivables of approximately RMB 551,000 and government grants of approximately RMB 2,000. For HY2020, other gains relate to reversal of allowance for impairment on trade receivables of approximately RMB 334,000, foreign exchange adjustment gains of approximately RMB 131,000, gain on disposal of assets held for sales of approximately RMB 0.6 million, gain on disposal of property, plant and equipment of approximately RMB 20,000 and government grants of approximately RMB 211,000.

For HY2021, other losses relate to foreign exchange adjustment losses of approximately RMB 490,000.

Gain on disposal of assets held for sales for HY2020 relate to assets held for sales as at 31 March 2019 being disposed of during HY2020. Gain on disposal of property, plant & equipment relates to the disposal of certain machineries that were no longer in use.

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\$).

Operating expenses

In line with the increment in revenue, distribution costs increased by approximately RMB 2.3 million or 30.2% from HY2020's RMB 7.7 million to HY2021's RMB 10.0 million.

Administrative expenses increased marginally by approximately RMB 0.5 million or 3.7% to approximately RMB 14.5 million in HY2021 as compared to the previous period.

Depreciation of property, plant & equipment increased by approximately RMB 194,000 or approximately 7.0% mainly due to addition to property, plant & equipment.

Depreciation of right-of use assets increased by approximately RMB 303,000 or 30.2% mainly due to the under accrual of depreciation of right-of-use assets during HY2020 of approximately RMB 200,000 and increase in right-of-use assets as at 31 March 2020 in accordance with SFRS(I) 16.

Income tax expenses

During HY2021 and HY2020, the income tax expenses of RMB 350,000 were mainly related to the provision of withholding tax for undistributed profits of the subsidiary to the Group.

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

Property, plant and equipment decreased by approximately RMB 0.7 million, mainly due to the depreciation charged for the current period under review of approximately RMB 3.0 million, which was partially offset by the acquisition of property, plant and equipment of approximately RMB 2.3 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 1.3 million.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 19.4%, 10.4%, 15.8% and 54.4% respectively of our total current assets as at 30 September 2020.

Inventories decreased marginally by approximately RMB 0.8 million or 2.7% to RMB 28.6 million as at 30 September 2020, 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 8.9 million or 36.6% to RMB 15.4 million as at 30 September 2020. The decrease was mainly due to recovery of trade receivables during the current period under review.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 3.3 million or 16.8% to RMB 23.2 million as at 30 September 2020. The increase was mainly due to an increase in advance payment to suppliers to secure the necessary raw materials for production.

As at 30 September 2020, our current liabilities comprised of trade and other payables of approximately RMB 56.1 million, other current financial liabilities of approximately RMB 58.0 million, current portion of lease liabilities of approximately RMB 210,000 and other liabilities of RMB 16.0 million. Non-current liabilities comprised of deferred tax liabilities of RMB 3.0 million, non-current portion of lease liabilities of approximately RMB 146,000 and other payables, non-current of approximately RMB 21.5 million.

Trade and other payables decreased by approximately RMB 7.1 million or 11.3% mainly due to the payments made to trade creditors during HY2021.

As at 30 September 2020, other current financial liabilities of RMB 58.0 million relates to the secured bank loans of Yinguang Technology.

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 30 September 2020, other liabilities of RMB 16.0 million relate to the Group's provision for safety expenses and advances from customers. Other liabilities increased by RMB 4.6 million or 40.0% mainly due to increase in advances from customers for the purchase of our commercial explosives products.

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.

Non-current payable relates to the long-term payable at amortised cost for the purchase of office building from a related party which was approved during the Extraordinary General Meeting on 31 July 2017. The increase is due to the imputed interest expenses on financial liabilities measured at amortised cost.

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)**

Cash flow

For the financial period ended 30 September 2020, the Group recorded net cash from operating activities of approximately RMB 7.7 million, net cash used in investing activities of approximately RMB 2.2 million and net cash used in financing activities of approximately RMB 1.8 million.

The net cash from operating activities is mainly due to the Group's improvement in trade receivables turnover and higher advances from customers for the purchase of our commercial explosives products, partially offset by the cash used to repay trade and other creditors and higher cash prepaid to secure raw materials for future manufacturing needs.

The net cash used in investing activities of RMB 2.2 million is mainly due to the purchase of property, plant and equipment of RMB 2.3 million, partially offset by interest received during the current period under review.

The net cash used in financing activities of approximately RMB 1.8 million was mainly due to the payment of loan interest.

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

The current half year results for the 6-months period ended 30 September 2020 are in line with the Company's commentary as disclosed under paragraph 10 of the full year results announcement for the financial year ended 31 March 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.

Industry directive on detonators

As announced in our third quarter results announcement released on 14 February 2019, the commercial explosives governing authority in China issued a directive recommending the new industry roadmap for detonators. In the directive, it was highlighted that all manufacturing and usage of detonators should be changed to digital electronic detonators for a higher level of safety standards as well as environmental reasons.

Currently, Yinguang Technology only manufactures non-electric detonators. With the introduction of this new directive, Yinguang Technology has started feasibility studies into the manufacturing of digital electronic detonators. The management is of the view that the new industry directive from the Chinese authority will have an impact on our sales of non-electric detonators. Impairment allowance on property, plant and equipment related to industrial detonators of approximately RMB 55.6 million and RMB 1.6 million were recognised during FY2019 and FY2020, respectively.

We will keep our Shareholders updated once we have any material update on the industry detonators.

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)**

Non-binding Term Sheet for Proposed Acquisition

On 12 October 2020, the Company announced that it had entered into a non-binding term sheet (“Term Sheet”) with Valiant Investments Limited, GCAP Australia Investments Pty Ltd and Gazelle Capital Pte Ltd (collectively the “Vendors” and each a “Vendor”) to acquire not less than 71.26% of the shares in the entire issued and paid-up share capital of Renewable Power Management Pty Ltd (“Proposed Acquisition”). The Proposed Acquisition, if undertaken and completed, is expected to result in a “reverse takeover” of the Company as defined under Chapter 10 of the Listing Manual of the SGX-ST.

Pursuant to the Term Sheet, the Proposed Acquisition is subject to, inter alia, receipt of all relevant approvals, including that of Singapore Exchange Securities Trading Limited (“SGX-ST”) and the shareholders of the Company, and will also involve the disposal of the Company’s subsidiary, Shandong Yinguang Technology Co., Ltd (山东银光科技有限公司), and the transfer of listing and quotation of the Company’s shares from Mainboard to the Catalist board of the SGX-ST. The Company and the Vendors will use their best endeavours to enter into definitive agreements for the implementation of the Proposed Acquisition (“Definitive Agreements”) within 90 calendar days from the date of the Term Sheet and the Company will make further announcements in this regard.

Please refer to the Company’s announcements on 12 October 2020 and 14 October 2020 for more information.

11. **Dividend**

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

Any dividend declared for the current financial period reported on?

No.

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

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

No.

(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 dividend has been declared/recommended for the current financial year 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)	
		HY2021	HY2020	HY2021	HY2020
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Security Services Co., Ltd ⁽¹⁾	Provision of security services	—	—	6,000	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.

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 half year financial statements 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
12 NOVEMBER 2020**