



FABCHEM CHINA LIMITED

MAKING HEADWAY FOR FUTURE GROWTH

ANNUAL REPORT 2021



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Fabchem China Limited ("Fabchem") has been established in Shandong, China since 1979, and listed on the Mainboard of Singapore Exchange Securities Trading Limited in April 2006.

As one of China's leading manufacturers of initiation systems and the largest boosters and detonating cords producer within a highly regulated industry, Fabchem's products are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors. Our products include explosive devices (boosters), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), and industrial detonators (non-electric detonators and piston non-electric detonators).

Fabchem's subsidiary, Shandong Yinguang Technology Co., Ltd, is the pioneer and market leader in the production of boosters in China. Our boosters are tested and certified by Universal Tech Corporation R&D Laboratory, an authorised inspection institute for initiating explosive devices based in United States of America.

Fabchem's initiation system products of international-standard quality are sold to more than 150 customers in the mining, energy exploration, hydroelectric and infrastructure construction industries across more than 10 countries, including China, Australia, Indonesia, Mongolia, India, Kazakhstan and Kyrgyzstan. Fabchem's products are sold under the brand name "Yinguang" in China, and also marketed internationally to other major resource-rich countries. As an established commercial explosives producer, the Group also undertakes original equipment manufacturing for renowned global commercial explosives companies.

LETTER TO SHAREHOLDERS



“On behalf of all Board members, I would like to extend my sincerest gratitude to our stakeholders as we navigate through the challenges and create new opportunities ahead.”

BAO HONGWEI
Managing Director

DEAR SHAREHOLDERS,

The COVID-19 Pandemic has dominated the whole of 2020 and even as COVID-19 becomes endemic, the uncertainties and challenges arising from COVID-19 continue to remain unabated in many communities and businesses globally.

Operating within a highly regulated industry, Fabchem China Limited's ("Fabchem" or our "Group") external business environment has been particularly challenging over the past few years that has been exacerbated by additional government safety directives due to unrelated mining incidents.

Since 5 December 2018, the Company has been placed on the watch-list of the SGX-ST due to the Financial Entry Criteria under the Part V of Chapter 13 of the Listing Manual of the SGX-ST ("Listing Rules").

PROPOSED DIVESTMENT

On 19 March 2021, the Company entered into conditional Sales and Purchase Agreement ("SPA") with its Controlling Shareholder, Triple Vision Pte Ltd ("Triple Vision") for the disposal of the Company's ownership of the aggregate RMB 156.0 million registered capital of Shandong Yinguang Technology Co., Ltd ("Yinguang Technology") representing 100% of the entire fully-paid registered capital of Yinguang Technology, and Yinguang Technology's subsidiaries ("Disposal Group") to Triple Vision for a consideration ("Disposal Consideration") of S\$18.0 million in cash.

Subsequent to the Proposed Disposal, the Company intends to undertake a capital reduction exercise ("Proposed Capital Reduction") pursuant and subject to compliance with Sections 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 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") which is scheduled to take place on 14 October 2021. More details can be found in the Company's Notice of EGM and Circular dated 22 September 2021.

PROPOSED ACQUISITION OF A NEW BUSINESS

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 Khoon (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, for an aggregate purchase consideration of S\$25.0 million for the Proposed Acquisition ("Purchase Consideration").

Lincotrade & Associates Pte Ltd's business activities are based in Singapore and involves primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting out works, and manufacturing of builders' carpentry and joinery.

In connection with the Proposed Acquisition, the Company will also seek to diversify its core business and 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, completion of the Proposed Disposal and Proposed Capital Reduction, and 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.

On 28 January 2021, the Company announced a change of financial year end from 31 March to 30 June and for this Annual Report, the Company will present the Company's financial statements in a 15-month period from 1 April 2020 to 30 June 2021 ("**15M2021**") for compliance and statutory purposes. More details of the Group's financial results of 15M2021 can be found in the financial review section of this Annual Report.

On behalf of all Board members, I would like to extend my sincerest gratitude to our Shareholders as we navigate the challenges and create new opportunities ahead.

Thank You!

FINANCIAL REVIEW

With the change of the Group's financial year end from 31 March to 30 June, here are the highlights of the Group's financials for the 15-month period from 1 April 2020 to 30 June 2021 ("15M2021"). The comparative figures in this Financial Review section are based on the unaudited financial results of the Group for the 15 months period ended 30 June 2020 ("15M2020").

The Company entered into conditional Sales and Purchase Agreement ("SPA") with Triple Vision Pte Ltd for the disposal of 100.0% equity interest in Shandong Yinguang Technology Co., Ltd

and its subsidiaries ("Disposal Group") on 19 March 2021. As at 30 June 2021, the assets and liabilities relating to Disposal Group have been classified as disposal group held-for-sale and are presented as "Assets of disposal group classified as held-for-sale" and "Liabilities directly associated with disposal group held-for-sale". The financial results of the Disposal Group are classified as discontinued operations in 15M2021.

Review of Financial Performance

The financial results of the Disposal Group for the financial period under review are as follows:

	DISPOSAL GROUP	
	Audited 15 months from 1 Apr 2020 to 30 Jun 2021 RMB'000	Unaudited 15 months from 1 Apr 2019 to 30 Jun 2020 RMB'000
Revenue	145,510	155,979
Cost of sales	(100,361)	(110,017)
Gross profits	45,149	45,962
Interest income	298	335
Other gains	3,479	8,343
Distribution costs	(22,682)	(20,749)
Administrative expenses	(28,133)	(32,839)
Finance costs	(5,935)	(6,746)
Other losses	(57,400)	(5,953)
Loss before tax	(65,224)	(11,647)
Income tax benefit / (expenses)	2,125	(16,381)
Loss from discontinued operations, net of tax	(63,099)	(28,028)

The Disposal Group is involved in the manufacturing and sales of commercial explosives products and it has three major operating segments classified as (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 non-electric detonators and piston non-electric detonators.

During 15M2021, revenue decreased slightly by approximately RMB 10.5 million or 6.7% to RMB 145.5 million from RMB 156.0 million registered during the 15M2020. The decrease in revenue for 15M2021 was mainly attributed to temporary additional safety

directives issued by Chinese authorities due to an unrelated explosion incident at a gold mine located at Yantai, Shandong Province.

Sales of explosive devices have been the Disposal Group's major revenue contributor and during 15M2021, explosives devices increased slightly by 6.3% to approximately RMB 78.1 million 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.

However, sales of industrial detonators continued to trend lower, dipping by 27.2% to RMB 42.0 million in 15M2021 as some of our customers have begun to switch to the use of digital electronic detonators as directed by the Chinese industry regulators.

Geographically, sales within PRC decreased by approximately RMB 12.0 million or 11.8% to approximately RMB 89.5 million in 15M2021. Sales to overseas markets increased marginally by approximately RMB 1.5 million or 2.8% to approximately RMB 56.0 million in 15M2021.

During 15M2021, the Disposal Group's gross profit margin improved marginally by approximately 1.5 percentage points, from 29.5% during 15M2020 to 31.0% in 15M2021. The marginal increase in gross profit margin was mainly due to the improvement in production and sales of boosters.

During 15M2021, interest income from discontinued operations decreased by approximately RMB 37,000 or 11.0% to RMB 0.30 million mainly due to average lower bank deposits during the current 15-month period.

Finance costs from discontinued operations comprised loan interest from bank borrowings and interest expenses on financial liabilities measured at amortised cost. During 15M2021, finance costs from discontinued operations decreased by approximately RMB 0.8 million or 12.0% during 15M2021 to RMB 5.94 million mainly due to decreased in loan interest from bank borrowings by approximately RMB 0.8 million or 14.8% due to average lower bank borrowings during the current period under review.

For 15M2021, other gains relate to reversal of allowance for impairment on trade and other receivables of approximately RMB 1.9 million, gain on disposal of property, plant and equipment of approximately RMB 0.3 million, government grants of approximately RMB 1.1 million and write back of payables of approximately RMB 0.1 million.

For 15M2021, other losses relate to foreign exchange losses of approximately RMB 1.1 million, inventories written-off of approximately RMB 0.4 million, inventories written-down of approximately RMB 0.7 million, impairment allowance on property, plant and equipment of approximately RMB 51.9 million, property, plant and equipment written-off of approximately RMB 6,000 and allowance for impairment on trade and other receivables of approximately RMB 3.3 million.

For 15M2021, the Disposal Group's distribution costs increased by RMB 1.9 million or 9.3% mainly due to higher port charges due to higher overseas sales and higher local PRC sales tax and allowances. For 15M2021, administrative expenses decreased by approximately RMB 4.7 million or 14.3% as compared to 15M2020 due mainly to lower research and development expenses incurred during the current period under review.

For our continuing operations, the Group registered a net loss of approximately RMB 7.7 million during 15M2021.

Overall, the Group recorded a net loss of approximately RMB 70.8 million in 15M2021 as compared to the net loss of approximately RMB 37.6 million in 15M2020.

FINANCIAL REVIEW

Analysis of Balance Sheet

For this section's comparison and discussion purpose, we will reinstate the assets and liabilities as follows:

	Disposal group reported in Note 14 ⁽¹⁾ RMB'000	Per Statement of financial position RMB'000	For discussion 30 June 2021 RMB'000	Audited 31 March 2020 RMB'000
Non-current assets				
Property, plant and equipment	49,552	-	49,552	101,139
Right-of-use assets	57,911	181	58,092	60,281
Current assets				
Inventories	36,732	-	36,732	29,434
Trade receivables	12,901	-	12,901	22,761
Other receivables	1,341	939	2,280	1,512
Other assets	20,485	120	20,605	19,896
Cash and cash equivalents	83,415	681	84,096	76,486
Non-current liabilities				
Deferred tax liabilities	(500)	-	(500)	(2,625)
Other payables – Related party's loan	-	-	-	(11,560)
Lease liabilities	-	-	-	(253)
Current liabilities				
Trade payables and accruals	(60,068)	1,642	61,710	(60,270)
Other payables – External parties	(4,349)	(822)	(5,171)	(3,013)
Other payables – Other related parties	(18,690)	-	(18,690)	-
Other payables – Related party's loan	(22,394)	-	(22,394)	(9,245)
Other financial liabilities	(57,500)	-	(57,500)	(58,000)
Lease liabilities	-	(193)	(143)	(205)
Other liabilities	(12,394)	-	(12,394)	(11,438)

⁽¹⁾ Note 14 to the audited financial statements

As at 30 June 2021, the Group's total assets stood at approximately RMB 264.3 million, of which the majority is classified as assets of Disposal Group classified as held-for-sale of approximately RMB 262.3 million. Total liabilities stood at approximately RMB 180.0 million, of which the majority is classified as liabilities directly associated with Disposal Group classified as held-for-sale of approximately RMB 175.9 million.

Property, plant and equipment decreased by approximately RMB 51.6 million, mainly due to recognition of impairment loss during 15M2021 of approximately RMB 51.9 million to write down the carrying value of the Disposal Group to its fair value less costs

to sell based on the consideration for the proposed disposal, in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, partially offset by the acquisition of property, plant and equipment during the current period under review.

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 *Leases*. The decreased in right-of-use assets were mainly due to depreciation of right-of-use assets during the current financial period of approximately RMB 2.2 million.

Inventories increased by approximately RMB 7.3 million or 24.8% to RMB 36.7 million as at 30 June 2021, as compared to RMB 29.4 million as at 31 March 2020. The increase in inventories was mainly due to an increment in raw materials and finished goods. Higher raw materials and finished goods level are mainly due to anticipated higher production and shipment schedules subsequent to 30 June 2021.

During the current period under review, trade receivables decreased by approximately RMB 9.9 million or 43.3% to RMB 12.9 million as at 30 June 2021. The decline was mainly due to recovery of trade receivables and the allowance for impairment of trade receivables during the current period under review.

During the current period under review, other receivables increased by approximately RMB 0.8 or 50.8% due mainly to recoverable of professional fees pertaining to the corporate exercises in accordance to the respective arrangement.

Other assets comprising the Group's prepayments, increased marginally by approximately RMB 0.7 million or 3.6% to RMB 20.6 million as at 30 June 2021.

Trade payables and accruals increased marginally by approximately RMB 1.4 million or 2.4%.

Other payables increased by approximately RMB 20.8 million or 691.9% mainly due to a consideration of RMB 18.0 million to be returned back to shareholders of Shandong Laizhou Ping'an Commercial Explosives Co., Ltd. ("Laizhou Ping'an"). The consideration of RMB 18.0 million was received by Yinguang Technology from Laizhou Ping'an during 15M2021 and as the Company has announced the termination of the proposed acquisition of Laizhou Ping'an on 15 March 2021, Yinguang Technology will be liable to return any sums received from Laizhou Ping'an.

As at 30 June 2021, other current financial liabilities of RMB 57.5 million relates to the secured bank loans of Yinguang Technology.

As at 30 June 2021, other liabilities of RMB 12.4 million relate to the Group's provision for safety expenses and advances from customers. Other liabilities increased marginally by RMB 1.0 million or 8.4%.

Deferred tax liabilities of RMB 0.5 million relate to the deferred tax liabilities for the withholding tax on the dividend payable by our subsidiary in China.

Cash Flow Highlights

	Audited 15 months from 1 Apr 2020 to 30 Jun 2021 RMB'000	Unaudited 15 months from 1 Apr 2019 to 30 Jun 2020 RMB'000
Net cash flows from operating activities	19,024	8,295
Net cash flows used in investing activities	(7,754)	(2,883)
Net cash flows used in financing activities	(3,660)	(5,132)
Total cash flows	7,610	280

For the 15-month period ended 30 June 2021, the Group recorded net cash from operating activities of approximately RMB 19.0 million, net cash used in investing activities of approximately RMB 7.8 million and net cash used in financing activities of approximately RMB 3.7 million.

The net cash from operating activities is mainly due to the Group's improvement in trade receivables recoverability and increase in trade and other payables, partially offset by the cash utilised to store higher inventories as at 30 June 2021.

The net cash used in investing activities of RMB 7.8 million is mainly due to the purchase of property, plant and equipment of RMB 8.4 million, partially offset by the proceeds from disposal of assets held for sale and property, plant and equipment and interest received during the current financial period under review.

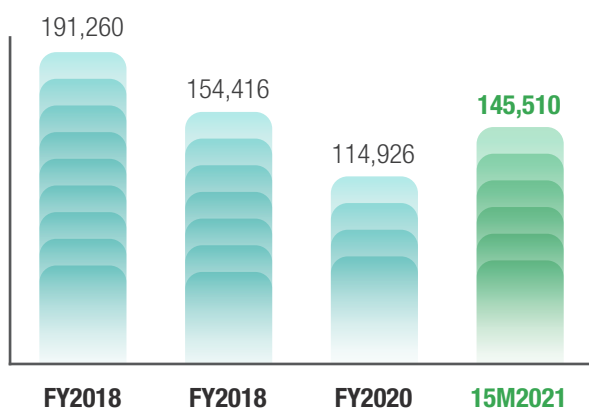
The net cash used in financing activities of approximately RMB 3.7 million was mainly due to the payment of interest expenses of approximately RMB 4.3 million, partially offset by the proceeds from a shareholder of approximately RMB 1.4 million.

FINANCIAL HIGHLIGHTS

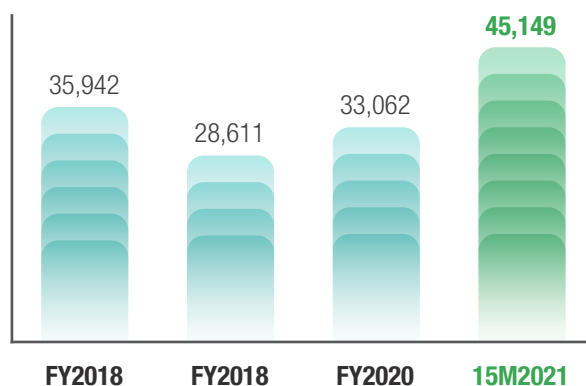
REVENUE BY PRODUCT SEGMENTS	FINANCIAL YEAR-END			
	31 MARCH			30 JUNE
	FY2018 RMB'000	FY2019 RMB'000	FY2020 RMB'000	15M2021 RMB'000
Explosive Devices	78,971	70,755	51,673	78,145
Industrial Fuse and Initiating Explosive Devices	53,242	29,629	18,822	25,193
Industrial Detonators	58,917	53,737	44,427	41,951
Others	130	295	4	221
OPERATING RESULTS				
Revenue	191,260	154,416	114,926	145,510
Gross Profit	35,942	28,611	33,062	45,149
Loss before tax	(19,990)	(147,240)	(20,867)	(72,578)
Loss Attributable to Shareholders	(19,828)	(150,373)	(37,323)	(70,753)
EBITDA ⁽¹⁾	2,301	(3,557)	(6,789)	(6,614)
BALANCE SHEET				
Non-Current Assets	326,626	179,677	161,420	181
Current Assets	185,082	153,317	150,089	264,077
Current Liabilities	141,862	119,075	142,171	179,993
Non-Current Liabilities	20,518	21,683	14,438	-
Shareholders' Equity	349,328	192,236	154,900	84,265
CASH FLOW				
Operating	27,722	12,088	464	19,024
Investing	(18,599)	(12,449)	(2,887)	(7,754)
Financing	(3,355)	(5,450)	(4,298)	(3,660)

⁽¹⁾ Earnings/(Loss) Before Interest, Tax, Depreciation, Amortisation and Impairment loss on Property, Plant and Equipment

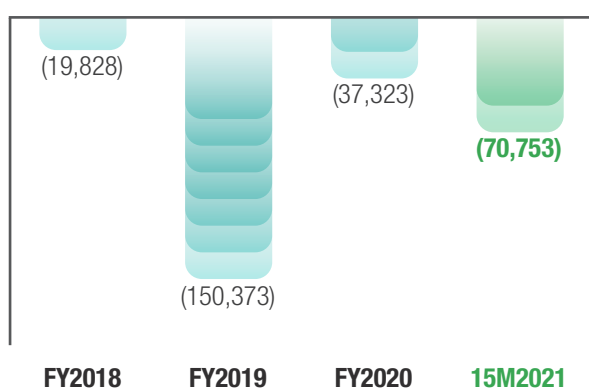
REVENUE (RMB'000)



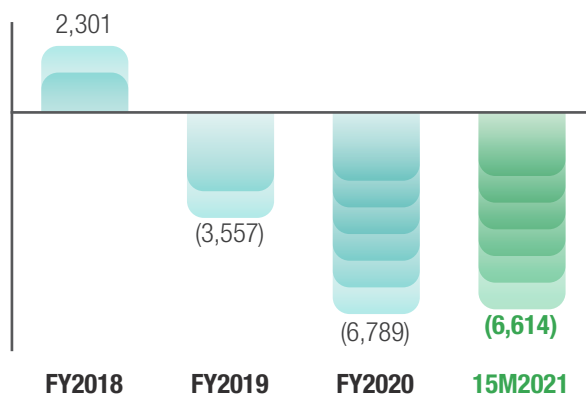
GROSS PROFIT (RMB'000)



LOSS ATTRIBUTABLE TO SHAREHOLDERS (RMB'000)

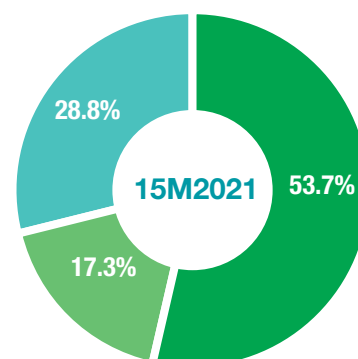
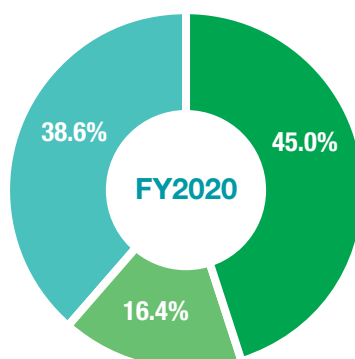


EBITDA (RMB'000)



REVENUE BY PRODUCT SEGMENTS

- Explosive Devices
- Industrial Fuse and Initiating Explosive Devices
- Industrial Detonators



BOARD OF DIRECTORS



BAO HONGWEI
Managing Director

Bao Hongwei is our Managing Director and was appointed on 1 January 2018. He was our Executive Director and General Manager since 16 June 2005. He is responsible for the overall and day-to-day management and operations of our Group. He joined Feixian Chemical Factory in 1989 as a section manager and was subsequently promoted to deputy factory manager in 1991. In 1997, he was a non-executive director of Yinguang Chemical Group and also a managing director and general manager of Feixian Yinguang Drawnwork Co., Ltd. He is currently a nonexecutive director of Yinguang Chemical Group and some of its subsidiaries as well as Yinguang Chemical. He obtained a certificate in economics management from the Jinan Workers University in 1994 and a Masters in Business Administration from the Tsinghua University in 2000. He also obtained a Bachelor Degree in Economics Management from the Provincial Party Committee School of Shandong in 2002 and a Master Degree in Administrative Management from Beijing Normal University in 2004.



WEE PHUI GAM
Acting Chairman and Lead Independent Director

Wee Phui Gam is our Independent Director and was appointed on 15 October 2009. Mr Wee is also appointed as our Acting Chairman on 2 September 2018. Mr Wee is a practising Chartered Accountant of Singapore. He has been the sole proprietor of P G Wee & Partners since 1984. P G Wee & Partners was converted to P G Wee Partnership LLP ("P G Wee"), an Accredited Training Organisation, in January 2013. He is also the managing partner of Y.C. Lee & Co ("Y.C. Lee"), a position he has held since 1990. P G Wee and Y.C. Lee are public accounting firms in Singapore. Mr Wee is also an independent director of Imperium Crown Limited, a company listed on the Catalist of The Singapore Exchange Securities Trading Limited. Mr Wee started his career in 1978 as an audit assistant with Foo, Kon & Tan, a public accounting firm in Singapore. Shortly after, he joined Peat Marwick Mitchell & Co, an international accounting firm as an audit assistant, becoming a Manager when he left some 6 years later, in 1984. Mr. Wee holds a Bachelor of Accountancy degree from the University of Singapore, a Fellow Member of the Institute of Chartered Accountants of Singapore and is an Accredited Tax Advisor (Income Tax & GST).



SUN BOWEN
Non-Executive and Non-Independent Director

Sun Bowen is our Non-Executive and Non-Independent Director and was appointed on 1 December 2018. He was our Executive Director and Senior Advisor since 1 January 2018. He was our Managing Director since 16 June 2005. He provides firm relationships with government authorities and other stakeholders, as well as assisting the Managing Director to evaluate and formulate business strategies for our Group. He has been with the Group since 1980 when Feixian Chemical Factory was first established in 1979. He was a factory manager in Feixian Chemical Factory and thereafter became a majority shareholder of Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Chemical Group"). He was also the director and general manager of Yinguang Chemical Group from December 1997 to May 2004. Sun Bowen has more than 20 years of experience in the explosives industry. He started as a mechanic in 1966, and thereafter became a technician and factory manager in the period from 1976 to 1993. In March 1993, he became a director of Shandong Yinguang Chemical Industry Co., Ltd ("Yinguang Chemical") till 2004. Mr Sun graduated from Qingdao University of Science and Technology with a degree in Chemical Engineering. He is currently a non-executive director of Yinguang Chemical Group and some of its subsidiaries as well as Yinguang Chemical and he is the managing director of our subsidiary, Shandong Yinguang Technology Co., Ltd. He is also an executive chairman of Imperium Crown Limited, a company listed on the Catalist of The Singapore Exchange Securities Trading Limited.



PROFESSOR JIANG RONGGUANG
Independent Director

Professor Jiang Rongguang is our Independent Director and was appointed on 11 October 2010. Professor Jiang is an industry veteran with over 30 years of experience in China's commercial explosives industry. He is currently a member of the Editorial Board of the Commercial Explosives magazine (爆破器材杂志编辑部编委会委员). He was a Professor with Nanjing University of Science and Technology (南京理工大学) and also the chief technical specialist with National Quality Supervision and Inspection Center for Industrial Explosive Materials (国家民用爆破器材质量监督检验中心首席技术专家) ("NQSIC"), where he previously had served as permanent deputy chairman. Authorised by the Chinese government quality assurance and certification agencies, NQSIC provides independent assessments and certifications of commercial explosives products manufactured in China. Professor Jiang was also a member in the Experts Committee of Commercial Explosives Industry of China (国家民爆器材行业专家委员会委员) and a member in the Safety Experts Committee of Ministry of Industry and Information Technology of the People's Republic of China (中华人民共和国工业和信息化部民爆器材行业安全专家委员会委员) ("MIIT"). Among others, MIIT is tasked with the supervision and governing of commercial explosives' production and manufacturing activities in China. Professor Jiang graduated from Nanjing University of Science and Technology (南京理工大学) in 1978, majoring in the design and development of explosive devices.

SUN QIANG

Sales And Marketing Manager

Sun Qiang is our Sales and Marketing Manager. He has been responsible for the sales and marketing of our Group since 2003. He is currently a non-executive director of Shandong Yinsheng Investments Co., Ltd (“Yinsheng Investments”). Prior to joining our Group, he was a civil servant in Economic and Trade Committee of Fei County from 1991 to 1993 and thereafter became a section manager and was later promoted to department head in the Ministry of Labour and Social Security of Fei County from 1993 to 2003. He was also a deputy general manager of Yinguang Chemical from 2003 to 2004. Sun Qiang holds a degree in Economics and Management from the Cadre Correspondence University of Shandong and a diploma in Business Management from the Jinan University of Shandong.

KWEK WEI LEE

Finance Manager (Group Accounts)

Kwek Wei Lee is our Finance Manager (Group Accounts). He is responsible for the financial, accounting, budgeting and taxation matters of our Group. Prior to joining our Group in April 2005, he was an Audit Senior with Ernst & Young, Singapore, an international audit firm, from January 2003 to March 2005, where he was involved in the audit of public listed companies and multinational companies. From December 2000 to December 2002, he was a Senior Audit Assistant with BDO LLP (formerly known as BDO International), Singapore, an international audit firm. Mr Kwek obtained a Diploma with Merit in Accountancy in June 1998. He is a Chartered Accountant of Singapore and fellow member of the Association of Chartered Certified Accountants in UK.

CHEN HONGYU

Finance Manager (China Operations)

Chen Hongyu is our Finance Manager (China Operations). He is responsible for accounting and financial matters for our China operations. He has worked in our Group since 1994. From 1994 to 2004, he was the financial manager and deputy general manager of Yinguang Chemical. From 1989 to 1994, he was a section manager of the finance department in Shandong Feixian Art Co. He holds a degree in Economics and Management from the Provincial Party Committee School of Shandong.

YANG XINGDONG

Administrative Manager

As Administrative Manager, Yang Xingdong is responsible for the administrative function of our Group. After graduating from the University of Shandong, he joined our Group as a deputy section manager in 1995, he then became a factory manager in 1998. He was promoted to become an assistant general manager and deputy general manager from 1999 to 2004. He is currently a nonexecutive director of Yinguang Chemical. He obtained a degree in chemical engineering from the University of Shandong in 1995. He was certified as an “Assistant Technical Engineer” in 1996 and “Technical Engineer” in 2001 by the Personnel Bureau of Fei County and Personnel Bureau of Linyi City respectively.

MANAGING DIRECTOR'S MESSAGE TO STAKEHOLDERS

At Fabchem, sustainability is highly valued by the Board of Directors and top management. We are committed to creating an organisational culture whereby sustainable business practices are valued and sustainable criteria are used when selecting our suppliers and business partners. The Group recognises the integral role of good governance and ethics for building a sustainable business and for honing the ability of the Group to weather economic and sustainability challenges.

The Group has identified a key focus area as product safety, being the driving force for why we perform rigorous product testing to ensure safety of use. Occupational Health and Safety is crucial to the safety of employees, especially during this time where the COVID-19 pandemic continues to impact local communities and workspaces. We strive to build a sustainable business that thrives whilst minimizing the negative impacts of production practices to the environment. We recognise the contribution of our people in driving product quality and safety. Hence, diversity is embraced, bringing wide-ranging skills and talent into the Group. Many training and development programs are available to our employees to grow their skillsets.

We have a critical role to play in contributing to environmental preservation, which involves minimising the impact of our operations on the environment. We endeavour to utilise our core competencies to contribute to the society and generate long term value for our stakeholders. In FY2021, the COVID-19 pandemic has continued to remain a challenge for businesses. During these unsettling times, we stay committed to prioritising the safety of our employees and workers. We have implemented strict safety protocols in compliance with local regulations. We have also educated all staff and workers on the necessary measures to minimize risk of infection and ensure their safety.

ABOUT THIS REPORT

Fabchem China Limited (hereafter referred to as “Fabchem” or the “Group”) presents the Group's Sustainability Report (the “Report”) which covers our Group's performance from 1 April 2020 to 30 June 2021 (the “reporting period”). The Report covers all operations of the Group in China.

The Report summarises Fabchem's key sustainability issues, our management approach as well as our related performance across the Group's operations. This Report is prepared in accordance with the GRI standards “Core” option. The Group has chosen the Global Reporting Initiative (“GRI”) Standards as it is the most established international sustainability reporting standard. The following principles have been applied to determine relevant topics that define the report content and ensure quality of information: a) GRI principles for defining report content: Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness; b) GRI principles for defining report quality: Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness. (Include GRI selection based on e.g. guidance on stakeholder engagement, etc.). The Report incorporates the primary components of report content set out by the SGX's “Comply or Explain” requirements on sustainability reporting under Listing Rule 711B.

Fabchem's material topics are identified based on their impacts on our internal and external stakeholders, as outlined in the Stakeholders Engagement section. Detailed section reference with GRI Standards is found on the GRI Index Page. The Sustainability Team has assessed that external assurance is not required as the Group wishes to focus on strengthening the sustainability reporting framework for this year.

FABCHEM SUSTAINABILITY STORY

Our ESG Focus and Strategy

Environmental, Social and Governance (“ESG”) factors are crucial to the Group's operations and business activities. Governance is key to the Group's operations in guiding the implementation of ESG practices across the Group. We seek to limit the potential of safety impacts of our production activities. Such activities have had already had an impact; our products are safe to use due to stringent quality control, our staff are adequately safeguarded from COVID-19 inspection, robust occupational health and safety policies and practices keep our employees safe and reduce the occurrence of workplace incidents.

We strive to limit the environmental impact of our production activities and along our supply chain. Our measures have yielded results such as reductions in the energy usage and GHG emissions of factory operations as well as the responsible discharge of effluents into proper sewage channels. The Group is continually looking for ways to utilize technology to reduce its environmental impact.

ESG PERFORMANCE HIGHLIGHTS

Below is a summary table of the Group's sustainability targets and performance during the reporting period.

Fabchem has set targets to improve the sustainability of our business operations in the future. We endeavour to demonstrate continuous improvement on our environmental management and protection efforts to reduce our environmental impact, as well as to benefit the community and our employees.



- No incidents of corruption or whistleblowing reports



- Achieved **zero** product health and safety incidents



- Achieved **zero** occupational health and safety incidents



- Achieved **15.2** training hours per employee

SUSTAINABILITY REPORT

CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The Group's business focus is aligned with the United Nations Sustainable Development Goals ("UN SDG"). The attainment of the UN SDGs is a continuing global effort and forms part of the Group's long-term focus on sustainability. The Group's contributions to the attainment of the relevant UN SDGs are highlighted below.



UN SDG	THE GROUP'S CONTRIBUTION	READ MORE IN THE FOLLOWING SECTIONS
	Provide training, career appraisal and development opportunities for all our employees	Focus 5: People Development
	Provide equal opportunities in employment, training and career development regardless of gender	
	Provide decent work opportunities and a conducive working environment for employees	Focus 3: Occupational Health and Safety
	Manage waste and chemical responsibly. Reduce waste generation through recycling and reuse.	Focus 1: Governance and Ethics Focus 2: Product Safety Focus 4: The Environment,
	Comply fully with government regulations and build strong collaborative relationships with government authorities	Focus 1: Governance and Ethics

Noteworthy Awards

In recognition of our sustainability efforts, Fabchem received the following awards:

TITLE OF AWARD/CERTIFICATION
Advanced Enterprise for Work Safety award
Occupational Health & Safety Management System Certificate (GB/T45001-2020/ISO45001:2018)
Environmental Management System Certificate (GB/T24001-2016/ISO14001:2015)
Quality Management System Certificate (GB/T19001-2016/ISO9001:2015)

STAKEHOLDER ENGAGEMENT

We engage all of our stakeholders through a variety of channels to update them about Fabchem's developments and gather their feedback. We identify stakeholders as groups that have an impact, or have the potential to be impacted by our business, as well as external organisations that have expertise in topics that we consider material. The feedback we receive from our stakeholders helps us to determine our material topics and identify our focus areas as the following:

FY2018 TARGET	ISSUES OF CONCERN	MEANS OF ENGAGEMENT	OUR RESPONSES	RELEVANT SECTIONS
Employees	<ul style="list-style-type: none"> Occupational Health & Safety matters Transmission of COVID-19 among employees and workers Remuneration and benefits Training and development Ethics and conduct 	<ul style="list-style-type: none"> Safety briefings and meetings Performance appraisal Ongoing communication Training needs identification Employee code of conduct 	<ul style="list-style-type: none"> Implement safety measures and comply with local regulations on COVID-19 safety Provide fair remuneration and adequate career development and training opportunities 	<ul style="list-style-type: none"> Focus 1: Governance & Ethics Focus 3: Occupational Health & Safety Focus 5: People Development
Customers	<ul style="list-style-type: none"> Product Safety 	<ul style="list-style-type: none"> Ongoing communication and feedback 	<ul style="list-style-type: none"> Production processes and product labelling to ensure full compliance with regulations and safety requirements 	<ul style="list-style-type: none"> Focus 2: Product Safety
Suppliers	<ul style="list-style-type: none"> Economic performance Product quality 	<ul style="list-style-type: none"> Annual Report Ongoing assessment, communication and feedback 	<ul style="list-style-type: none"> Ensure proper supplier selection processes Regular supplier environmental and social impact assessments 	<ul style="list-style-type: none"> Annual Report Focus 2: Product Quality
Communities	<ul style="list-style-type: none"> Pollution Industrial incidents 	<ul style="list-style-type: none"> Ongoing engagement with local communities & relevant authority 	<ul style="list-style-type: none"> Implement robust environmental policies Implement robust Health & Safety policies 	<ul style="list-style-type: none"> Focus 3: Occupational Health & Safety Focus 4: The Environment
Government and regulatory bodies	<ul style="list-style-type: none"> Governance & ethical practices Environmental compliance Health & Safety compliance Labour laws & regulatory compliance 	<ul style="list-style-type: none"> SGX announcements Annual Report Regulatory filings Regulatory inspections & ongoing dialogues 	<ul style="list-style-type: none"> Implement robust policies and procedures to comply with all relevant laws & regulations 	<ul style="list-style-type: none"> Focus 1: Governance & Ethics Focus 2: Product Safety Focus 3: Occupational Health & Safety Focus 4: The Environment Focus 5: People Development
Shareholders and investors	<ul style="list-style-type: none"> Economic performance Governance & ethics Regulatory compliance 	<ul style="list-style-type: none"> Annual General Meeting and Annual Report Investor relations management Sustainability reporting 	<ul style="list-style-type: none"> Provide informative and insightful reports and regulatory filings 	<ul style="list-style-type: none"> Focus 1 to 5

SUSTAINABILITY REPORT

MATERIAL TOPICS AND BOUNDARIES

The Group has applied the GRI Principles for Defining Report Content to identify material topics that are relevant to the business and to its stakeholders. We have conducted a materiality assessment session based on the guidelines of GRI Standards.

Based on the results highlighted in the Stakeholder Engagement section, the following table summarises topics which were determined to be the most significant to the Group:

MATERIAL TOPICS	BOUNDARIES (WHERE THE IMPACTS OCCUR)
ECONOMIC	
GRI 205: Anti-corruption	The Group
ENVIRONMENTAL	
GRI 301: Materials	
GRI 302: Energy	
GRI 303: Water	
GRI 305: Emissions	The Group
GRI 306: Effluents and Waste	
GRI 307: Environmental Compliance	
GRI 308: Supplier Environmental Assessment	
SOCIAL	
GRI 401: Employment	
GRI 403: Occupational Health and Safety	
GRI 404: Training and Education	
GRI 405: Diversity and Equal Opportunity	The Group
GRI 413: Local Communities	
GRI 416: Customer Health and Safety	
GRI 417: Marketing and Labelling	

FOCUS 1: GOVERNANCE AND ETHICS

Strong corporate governance practices have enabled Fabchem to effectively navigate the business environment in an increasingly complex world and ensure that the interests of all relevant stakeholders are considered when making business decisions.

Corporate Governance

We adhere to the “comply or explain” regime of the Singapore Code of Corporate Governance. Refer to the Corporate Governance section of the Annual Report. We comply with the Listing Rules as prescribed by Singapore Exchange-Securities Trading Limited (“SGX-ST”).

Governance and Statement of the Board

At Fabchem, sustainability is highly valued by the Board of Directors and top management. We established a Sustainability Team which comprises heads of departments from Operation, Human Resource, Health and Safety, Finance and Corporate.

The Board incorporates sustainability issues into the strategic formulation of the Group. The Board with the assistance of the Sustainability Team determines the material environmental, social and economic factors, and ensures that the factors identified are well-managed and monitored.

ETHICS AND INTEGRITY

GRI 205-1, 205-2, 205-3

Anti-corruption

The Group is strongly committed to a high legal and moral standard in all of our business activities. We have adopted a Code of Conduct as a testimony to our commitment to adhere to the highest standards of professionalism, integrity and ethics. All employees are required to read, understand and agree to comply with the purposes and provisions of the Code of Conduct. Employees are held liable for their failure to comply which may result in disciplinary actions. The severity of these disciplinary actions depends on circumstances and the gravity of the misconduct.

There was no incident of corruption and no public legal cases brought against the Group or our employees. We will continue to be vigilant in ensuring our employees conduct themselves with the highest level of integrity.

Whistleblowing

The Group takes a strong stance against corruption and malpractice and does not tolerate any impropriety, statutory non-compliance or wrongdoing by employees in the course of their work. The Code of Conduct strictly prohibits any acts by employees to use their position to obtain advantages for themselves. To achieve the a high standard of personal integrity and accountability, the Group developed a Whistle Blower Policy and Reporting Procedure to provide a framework to promote responsible and confidential whistleblowing without fear of adverse consequences.

TAX

GRI 207-1, 207-2, 207-3, 207-4

The Group's strategy and approach to tax is to fully comply with relevant tax laws and regulations in all jurisdictions we operate in, which indirectly support the local governments and authorities in their economic, environmental and social objectives. The Group has zero tolerance for any intentional breach of tax laws and regulations. The Group identifies tax related risks as part of its enterprise risk management framework which is reported regularly to the Company's Audit Committee. Implementation of tax compliance related policies and procedures are delegated to the respective business units.

Relevant staff attended tax related trainings to keep updated on key changes. The Group also engages qualified professional tax advisors in all jurisdictions to ensure compliance at the transaction levels as well as fulfilling required tax filings. The Audit Committee may also from time to time engage the Group's internal auditor to monitor compliance with the tax governance and control framework. Any instances of non-compliance are reported to the Audit Committee and resolved promptly.

Please refer to the disclosures in Note 9 of the Group's FY2021 Annual Report for further information.

RISK MANAGEMENT

The Group adopts a precautionary approach in strategic decision and day-to-day operations by implementing a comprehensive risk management framework. Environmental, Social and Governance risk identification and mitigation strategy and approach are parts of our Group's Enterprise Risk Management framework.

INTERNAL CONTROLS AND INTEREST PARTY TRANSACTIONS

The Board oversees the processes for evaluating the adequacy of internal controls and risk management including the review and approval of interested party and interested person transactions in accordance with the SGX Listing Manual.

The Group has set out procedures governing all interested person transactions to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Group and its shareholders.

GOVERNANCE AND ETHICS TARGETS

FY2021 STATUS	PERPETUAL TARGETS
✓ Met	Zero incidents of non-compliance with SGX-ST listing rules
✓ Met	To achieve zero confirmed corruption cases and zero public legal cases regarding corruption brought against the organization or its employees
✓ Met	No significant whistle blowing reports
✓ Met	No significant tax related non-compliance

FOCUS 2: PRODUCT SAFETY

Fabchem manufactures explosive devices including initiation systems, boosters, and detonating chords and non-electric detonators. Our products support activities in the mining, energy exploration, hydroelectric and infrastructure construction sectors which require the use of explosives. Due to the safety implications regarding the use of explosives, products are ensured safe to use before transport and shipping. Furthermore, our production process abides by our robust quality management system which has been certified to the ISO9001:2015 standard as a testament to the quality and safety of our products.

SUSTAINABILITY REPORT

PRODUCT HEALTH AND SAFETY

GRI 413-2, 416-1, 416-2

We adhere strictly to the Safety management regulations for the production and sale of civil explosives to minimise risk of product health and safety. 100% of Fabchem's products have undergone health and safety assessment before delivery. There was no incident of non-compliance concerning the health and safety impacts of our products and services in FY2021.

PRODUCT MARKETING AND LABELLING

GRI 417-2

The Group strictly complies with relevant marketing and labelling regulations. All product packaging of the Group have product manuals, and 100% of the products are marked with detailed instructions and performance specifications. There was no incident of non-compliance concerning product information and labelling in FY2021.

SUPPLIER MANAGEMENT

GRI 414-1

Fabchem performs detailed background checks on suppliers, including the assessment of their product inspection reports and quality certifications to ensure the safety and quality of their products. Qualified suppliers should have proper business licenses, industry licenses, general taxpayer license and etc. As a commitment to quality assurance, suppliers who are ISO 9000 certified for their quality management system are preferred.

CUSTOMER ENGAGEMENT

GRI 416-1, 416-2

Fabchem takes pride in ensuring optimum product safety and performance. Customer engagement and follow-up are conducted to ensure that our products are performing according to specifications and identify areas for improvement. If any product issues are identified, we work with our customers to resolve them promptly.

PRODUCT SAFETY TARGETS

FY2021 TARGET	STATUS	PERFORMANCE UPDATE
Zero product health and safety incidents	✓ Met	Achieved zero product health and safety incidents
FY2022 TARGET		

To achieve zero product health and safety incidents

FOCUS 3: OCCUPATIONAL HEALTH AND SAFETY

Employee safety remains our key priority as the COVID-19 pandemic remains a clear and present danger to communities. In addition to measures for the pandemic, the Group has also taken measures to avoid disruptions to our supply chain and facilitate prompt resumption of production activities.

SAFETY AGAINST COVID-19

GRI 403-1, 403-2, 403-4, 403-6, 403-8

During these unsettling times, we stay committed to prioritising the safety of our employees and workers. Fabchem has developed COVID-19 safety and preventive measures for employees to abide by at the workplace to prevent transmission within the community. Before returning to work, Fabchem conducted a thorough investigation on all employees to ensure that they were neither infected nor in close contact of an infected person.

Fabchem registered all employees who have returned to work and implemented daily temperature monitoring of employees. In addition, employees are provided with face masks to minimise the spread of COVID-19 at the workplace.

In alignment with government recommendations, employees are encouraged to vaccinate. The Group also manages the movement of external and overseas personnel to limit the possibility of infection. Home isolation policies shall be implemented when necessary. Other prevention measures include: providing masks thermometers, hand sanitizers and disinfectants to employees, as well as educating them about epidemic prevention health codes.

BUSINESS CONTINUITY PLANNING

GRI 102-9

The COVID-19 pandemic has the potential to be disrupt global supply chains. This has highlighted the importance of strong Business Continuity Planning ("BCP"). Our measures to minimize potential disruptions to our supply chain and operations include

signing long-term contracts with users and suppliers, having frequent engagement with customers to improve service quality and ensure timely supply of products/raw materials. Inventory is also maintained at an adequate level to ensure sufficiency for production. Employees were given relevant training in preparation for possible lockdowns and disruptions to business operations. Employees are kept updated on the COVID-19 situation so that prompt resumption of work can be carried out after lockdowns have ended. Office staff are provided with the necessary work from home arrangements.

WORKPLACE HEALTH AND SAFETY

GRI 403-1, 403-2, 403-4, 403-5

Fabchem has a dedicated workplace health and safety ("WHS") committee headed by the Executive Directors and consists of professional engineers, safety experts and department heads. The Group's WHS practices related to the production of detonating

cords, booster, shock tube detonators and plastic shock tubes have been certified to the standard of ISO45001:2018 Occupational Health and Safety Management. This is a testament to the Group's continuing dedication to world class WHS practices. All incidents of injuries are taken seriously by the committee and their relevant departments. Follow-up actions are taken to prevent recurrence, safety hazards are immediately removed and all employees were educated on precautionary measures.

Due to the nature of the business, workers may be exposed to dust, noise or hazardous chemicals in the various production lines. To achieve project success while ensuring employees' health and safety, a series of preventive measures are put in place to minimise the negative impact on employees. For instance, we upgraded from the original metal halide lamps to explosion proof lights to better protect our workers from safety hazards.

DUST

- VENTILATION SYSTEM INSTALLED IN FACTORIES
- PERSONAL PROTECTIVE EQUIPMENT (PPE) (EG. MASKS) FOR OPERATORS

NOISE

- SOUND WALLS AND CURTAINS IN FACTORIES
- PERSONAL PROTECTIVE EQUIPMENT (PPE) (EG. EARPLUGS AND EARMUFFS) FOR OPERATORS
- REMOTE CONTROL AND MONITORING OF MACHINES

HAZARDOUS CHEMICALS

- VENTILATION SYSTEM AND WATER-BATH DEDUSTERS INSTALLED IN FACTORIES
- PERSONAL PROTECTIVE EQUIPMENT (PPE) (EG. SPECIAL MASKS) FOR OPERATORS

SUSTAINABILITY REPORT

Other than the preventive measures taken, detective measures are also deployed to regularly assess and monitor the effectiveness of current practices. Professional agencies are employed to carry out testing on hazardous elements in workshops. Employees who are exposed to higher risk of occupational hazard are arranged for regular health check-ups and each of them has an occupational health profile.

The Group has formalised the workplace health and safety practices in the Employee Rights Protection Policy as a guide for Human Resource, Safety and Environment departments and Trade Union Committee.

HEALTH AND SAFETY TARGETS

FY2021 TARGET	STATUS	PERFORMANCE UPDATE
To achieve zero WHS incidents	✓ Met	Achieved zero occupational health and safety incidents
FY2022 TARGET		
To achieve zero WHS incidents		
To provide at least 1 WHS training session for employees and workers annually		
To hold a BCP rehearsal annually		

FOCUS 4: THE ENVIRONMENT

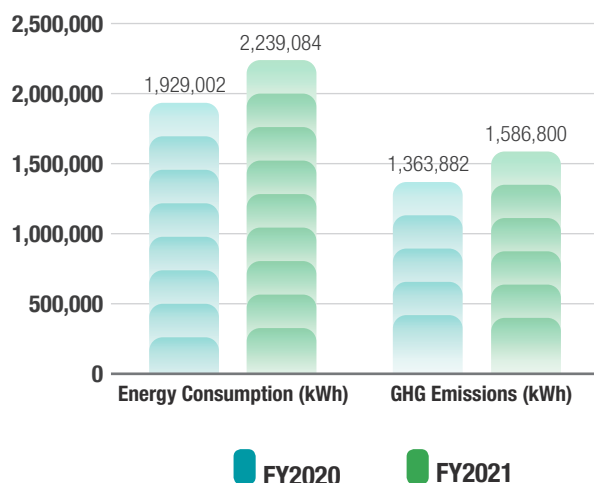
The Group strives to limit the impacts of our operating and production activities on the natural environment. Some of our measures include reducing emissions as we do our part to combat the global crisis of climate change. Not only do these measures benefit the environment, they have also driven reductions in operating costs. This is a long-term focus and is pivotal to the Group's aim of building a sustainable business and supply chain. The Group has implemented a comprehensive Environmental Management System that has been certified for compliance with ISO14001:2015.

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

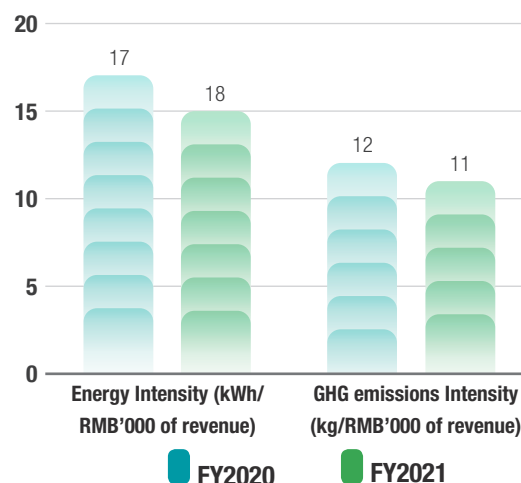
GRI 302-1, 302-3, 302-4, 305-2, 305-4, 305-5

The Group uses substantial energy in production plants to support our business activities. The energy is derived from electricity purchased for consumption. The Group endeavours to efficiently manage energy consumption and greenhouse gas emissions to reduce our carbon footprint.

ENERGY CONSUMPTION AND GHG EMISSIONS



ENERGY INTENSITY AND GHG EMISSIONS INTENSITY



There was a 16% increase in total energy use compared to FY2020. This was primarily attributable to the increased duration of the reporting period due to the change of financial year end from 31 March to 30 June. The Group has adopted many energy conservation and low-carbon measures, such as adjusting the operating time of its street lights in accordance to the sunrise and sunset time of each season, changing part of its infrared monitoring systems to infrared systems, sending residual heat from the air compressor room to the operation room for auxiliary heating, changing bathroom's hot water supply from boiler-generated to solar heating, and reforming the heat pipeline to shorten the distance of the main heating pipeline.

As for newly renovated plants, the Group has changed all of the original metal halide lamps to LED lights, thus lowering the usage from 70W per lamp to 50W per lamp. Without decreasing the number of installations, an estimated 30% of electricity can be saved. We also replaced the original 10-tonne coal-fired burner with a 6-tonne gas boiler, thereby greatly reducing pollutant emissions.

The Group also fully utilises the off-peak electricity pricing policy, as well as the water storage capacity of the newly built high pool, thus saving an estimated 100,000 yuan on electrical bills every year. The Group has installed an air compressor to increase our energy efficiency. The air compressor automatically switches to power-saving mode during idle time, thereby reducing our energy wastage and carbon footprint.

As a result of our energy conservation initiatives, our energy intensity was reduced by 8% in FY2021. Fabchem will continue to improve its energy-saving measures and practices to further reduce our energy consumption and GHG emissions in FY2022.

MATERIAL AND PACKAGING

GRI 301-2, 301-3

To minimise its impact on the environment, the Group has adopted practices to recycle its scraps and packing materials and reusing them as far as possible. The discarded explosive devices, detonators and chemical-containing solids are reused in the manufacturing processes. Plastic strips produced as by-products of the manufacturing detonating cords are collected and sold. The packaging materials are also reused in the factory up to their reuse limits before being disposed.

WATER USAGE AND EFFLUENTS MANAGEMENT

GRI 303-1, 303-2, 303-3

Underground water is drawn and used for operations. License from the local government had been obtained for withdrawing water directly from wells. The amount of water withdrawn is calculated by the metre and is charged accordingly. The total amount of water withdrawn by the Group is limited to 150,000 cubic metres annually. The Group has constructed two wells, with one being used for daily operations and the other one for backup. Both wells are equipped with deep water pumps. The main well operates continuously to supply water for production processes whereas the backup well supplies water to be stored in water tanks. The wells are not constructed adjacent to or within preserved areas.

Separate Rainwater and Effluents

- An integrated system is used to collect, separate, treat and recycle rainwater and wastewater from production activities.
- Rainwater is collected from the factory's rain pipe network and is directly stored in the rainwater system.
- Softened wastewater and treated drainage water from the boiler are also directed back to the rainwater system.

Reuse Treated Effluents

- Effluents from circulating cooling systems, workshop floor cleaning, water bath de-dusting system and equipment cleaning are collected and treated through precipitation and active carbon absorption.
- The treated water is used for green belt sprinkling in the factory premise during irrigation periods or is stored in the factory's pond.
- The Group saves an estimated 486 cubic metres and 1000 cubic metres of water every year from the detonation cord and booster factories respectively

Recycle Cooling Water

- Cooling water is reused after being stored in the pond and pumped back, effectively saving water resources.
- Through this practice, an estimated 17,500 cubic metres and 15,000 cubic metres of water is saved from the laminating workshop and detonator workshop respectively.

With effective water management practices, Fabchem's water consumption reduced from 24,053 m³ in FY2020 to 15,750 m³ in FY2021, reflecting a reduction in water consumption by 34.5%. A multi-pronged approach has been adopted to reuse and recycle different types of water in the production cycles and other operations within the factory premises.

¹ Emissions estimated based on the United States Environmental Protection Agency ("US EPA") emission factor of 7.09×10^{-4} metric tons CO₂/kWh

SUSTAINABILITY REPORT

WASTE MANAGEMENT

GRI 306-1, 306-2, 306-3

The Group recognises that the way we generate, treat and dispose of waste has a significant impact on the environment and community-at-large. Although industrial waste is inevitably generated as part of the manufacturing process, its impacts can be ameliorated through responsible treatment and disposal methods in accordance with industry standards.

For instance, disposed packaging and explosive materials are sent to destruction sites for incineration. In addition, used activated carbon, sedimentation tank sludge and waste ion exchange resin are collected and sent for incineration. We have engaged a local environmental sanitation agency to treat our domestic wastes. The Group is mindful of how waste is disposed and carries out reviews of our waste management methods regularly.

ENVIRONMENTAL COMPLIANCE

GRI 307-1

Due to the nature of our operations and products, the Group is acutely aware of the importance of environmental protection to mitigate any environmental risks that may arise from the use of

our products. The best practices embedded in our EMS are strictly complied with during environmental performance monitoring to ensure environmental performance.

We also strictly comply with all relevant environmental laws and regulations to ensure environmental compliance. We engage survey agencies to conduct environmental assessment before projects start. Regular monitoring of environment management system and audit is carried out to ensure compliance with regulations at national, provincial, municipal levels. Production suspension is strictly implemented during severely polluted weather following local authority's instructions.

We strictly adhere to Safety management regulations for the production and sale of civil explosives to minimise risk of negative environmental impacts that can arise from our products.

SUPPLIER MANAGEMENT

GRI 308-1, 308-2

Fabchem has an internal screening process whereby all key suppliers are screened for negative environmental impacts resulting from their business operations. In FY2021, 100% of Fabchem's explosives supplies are sourced from licensed suppliers.

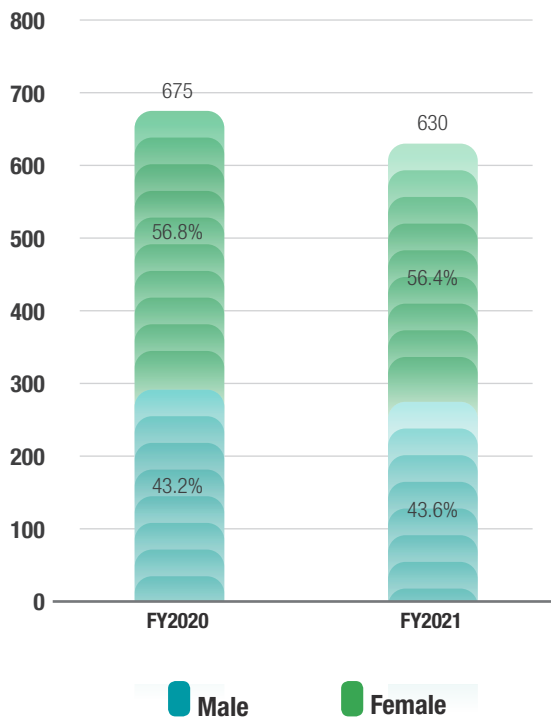
HEALTH AND SAFETY TARGETS

FY2021 TARGET	STATUS	PERFORMANCE UPDATE
Reduce energy consumption and emissions (base year 2020)	✓ Met	Energy intensity had decreased by 8% compared to 2020. Energy consumption and reduction remain as long-term targets for the Group. We will continue looking for opportunities to implement energy efficient practices and technologies.
FY2022 TARGET		
To reduce energy and emissions intensity by at least 5% (base year 2021)		
Zero incidents of environmental non-compliance		
Comply fully with local water management standards		
To adopt renewable energy for lighting and cooling systems		

Focus 5: People Development

The Group recognises that our people are the greatest assets which are key to the long-term viability of our business. We embrace gender diversity and our workforce comprises of employees from both genders and different age groups. A comprehensive people development program helps the Group to achieve its business objectives of talent retention, product innovation and employee leadership development.

WORKFORCE BY GENDER

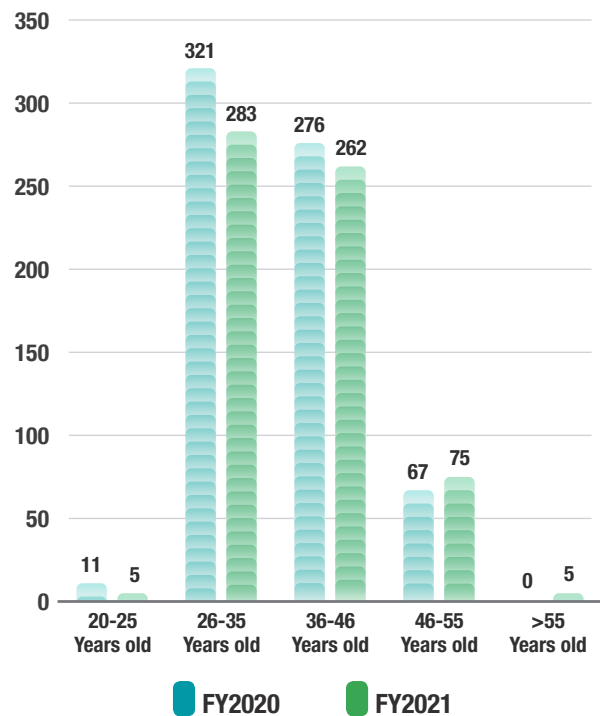


DIVERSITY IN OUR WORKFORCE

GRI 405-1, 405-2, 406-1

As at 30 June 2021, the Group has a total 630 employees, and the gender ratio of male to female is 274:356. The Group has a workforce of diverse cultural backgrounds, contributing to a dynamic and inclusive working environment.

WORKFORCE BY AGE



The Group offers employees an environment of equity and inclusiveness. We do not discriminate our employees based on any aspects, including gender, age, ethics or origin. Female employees consistently constitute more than 50% of the entire workforce. The group has fair and competitive remuneration policy that determines remuneration based on position, experience and qualification regardless of gender.

EMPLOYEE DEVELOPMENT

GRI 404-1, 404-2, 404-3



We recognise the contribution by our employees and believe that employees' welfare has a direct impact on our business and is of utmost importance to us. On top of competitive salary and performance-based bonus, we also provide various types of allowances and benefits that cater to the needs of our employees. We fully comply with China's labour laws and regulations and provide all required insurance and leaves. In FY2021, 11 employees took maternity leave.

In FY2021, there was 1 new hire and 9 resignees during the reporting period, equivalent to a staff turnover rate of 1.4%. Fabchem aims to lower the turnover rate with continued employee retention efforts. During the COVID-19 pandemic, Fabchem implemented a wage payment scheme that was in compliance with the COVID-19 Wages Payment Guide and we ensured that all employees are paid promptly without lay-offs.

EMPLOYEE DEVELOPMENT

GRI 404-1, 404-2, 404-3

As the Group is dedicated to helping its employees grow in the long term, employees from all departments were given the specialised training opportunities that cater to their career paths. When employees return to work from long-term leaves or transfer department, appropriate trainings are also provided to ensure that they are equipped with relevant skills and knowledge for their respective job scopes. To encourage effective learning, all employees are assessed after undergoing training. In December every year, all employees are invited to submit their training requirements which are evaluated and consolidated in an annual training schedule. The training plan is also aligned with department goals and shaped by the Group's strategic direction. In FY2021, we achieved a total of 10,759 training hours and 15.2 hours of training per employee.

Employee's performance appraisal is conducted annually for the personal development and career progression of our employees. In FY2021, 99% of our employees were appraised and evaluated.

PEOPLE TARGETS

FY2021 TARGET	STATUS	PERFORMANCE UPDATE
Training and development of staff	✓ Met	Achieved 15.2 training hours per employee
FY2022 TARGET		
At least 10 hours of training and development per employee		
Provide equal work for equal pay regardless of gender or race		
Zero incidents of non-compliance with local labour laws		
Maintain staff turnover rate below 1.5%		

SGX-ST Five Primary Components Index

S/N	PRIMARY COMPONENT	SECTION REFERENCE
1	Material Topics	<ul style="list-style-type: none"> About this Report Stakeholders Engagement
2	Policies, Practices and Performance	<ul style="list-style-type: none"> Focus 1 to 5
3	Board Statement	Governance and Statement of the Board
4	Targets	Focus 1 to 5
5	Framework	About This Report

GRI Standards Content Index and GRI Indicators

GRI STANDARDS	DISCLOSURE CONTENT	ANNUAL/SUSTAINABILITY REPORT SECTION REFERENCE
102-1	Name of the organisation	About this Report
102-2	Activities, brands, products, and services	Corporate Profile
102-3	Location of headquarters	Corporate Information
102-4	Location of operations	Corporate Structure
102-5	Ownership and legal form	Corporate Information
102-6	Markets served	Corporate Profile
102-7	Scale of the organisation	Corporate Structure
102-8	Information on employees and other workers	Focus 5: People Development
102-9	Supply chain	Supplier Management
102-10	Significant changes to the organisation and its supply chain	Managing Director's Message, Financial Review
102-11	Precautionary principle or approach	Financial Review
102-12	External initiatives	Financial Review
102-13	Membership of associations	Board of Directors, Key Management
102-14	Statement from senior decision-maker	Managing Director's Message
102-15	Key impacts, risks, and opportunities	Managing Director's Message

SUSTAINABILITY REPORT

GRI STANDARDS	DISCLOSURE CONTENT	ANNUAL/SUSTAINABILITY REPORT SECTION REFERENCE
102-16	Values, principles, standards, and norms of behaviour	Ethics and Integrity
102-17	Mechanisms for advice and concerns about ethics	Ethics and Integrity
102-18	Governance structure	Corporate Structure
102-40	List of stakeholder groups	Stakeholder Engagement
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GRI STANDARDS	DISCLOSURE CONTENT	ANNUAL/SUSTAINABILITY REPORT SECTION REFERENCE
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SAFETY AND SECURITY COMPLIANCE

SAFETY MEASURES

The safety of our operations is of paramount importance to us. We have manuals to guide our staff on the important safety procedures which should be adhered to in the production process. We have also established a safety department comprising twelve staff who are tasked mainly with ensuring compliance at each level of operation with our internal safety measures. The department conducts routine monthly checks on the safety of our production procedures and constantly reviews our safety measures to ensure that they are adequate for our purposes. In addition, we have implemented international best practice systems to encourage employees' participation in identifying risk hazards and increasing the level of awareness of those risk hazards. Our internal auditors will also conduct checks on whether all of the Group's safety measures and procedures are complied with, and such checks will be reported to the Audit Committee and disclosed in our Company's annual report every year.

The safety aspects of our operations and products are vital to our business. The nature of the explosives industry is such that the raw materials and products are easily subject to explosions during the production process, transportation and storage. Production could be suspended for investigation by the relevant authorities in the event of any accidental explosions at our production or storage facilities, during the transportation of raw materials or during the usage of our products by the end-users. If investigation showed that the accident is due to a failure to comply with proper safety measures and procedures, corrective actions must be taken. The authorities can revoke our licenses to manufacture explosive products if no improvement is made subsequent to the suspension period. In view of the above reasons and in order to provide the safest possible environment for our staff, we adopt stringent safety measures at our production facilities as well as during the transportation and storage of our products and raw materials to keep the risks of explosion to a minimum, such as, inter alia, the following measures:-

- a) We implement safety measures at our production facilities. The importance of adhering strictly to the safety measures is stressed upon all our staff on a regular basis and extensive training sessions are organized regularly to educate and train our staff in our safety measures. All our new staff are rigorously trained and briefed on our safety measures before they commence work at our production facilities. Posters on our safety measures are put up throughout our production facilities as reminders to our staff on the importance of safety during their course of work.

In addition, we also have safety compliance officers whose main responsibilities are to formulate safety measures for our operations and to ensure that these measures are strictly adhered to by our staff. All our production processes are strictly monitored by our safety compliance officers who conduct random checks at different stages of our production process to ensure that the safety measures have been complied with. Any staff who is found to have breached any of the safety procedures will be disciplined in order to deter other staff from breaching the safety procedures.

For safety reasons, machines such as close circuit TVs are used to monitor the production processes of explosives which are more prone to explosions such as detonating cords. The control rooms that monitor these production processes are housed in buildings that are built to withstand explosions. Where possible, the fixtures at locations close to our production activities are made of non-metallic materials to reduce the chances of sparks caused by static charges. We have also installed numerous lightning rods throughout the compound of our production facilities to prevent explosions caused by lightning. In addition, we have dedicated fire brigade teams made up of the company's employees at our production facilities ready to put out any fire caused by explosions.

- b) In addition, to the above safety measures, we also comply with the safety regulations promulgated by the Ministry of Industry and Information Technology, Department of Work Safety ("MIIT"), such as the Safety Standard for Design of Engineering of Civil Explosive Materials and the Regulations of Safety Management for the Manufacturing and Marketing Enterprise of Civil Explosives Materials. Safety regulations such as the maximum amount of explosives and number of staff permitted in a factory producing explosives are strictly adhered to in our production facilities and notices containing such information are put up at the entrance of every factory.

In addition, to prevent "chain explosions", the distance between our factories in our production facilities are in accordance with the guidelines recommended by the MIIT. Our factories are also built in such a way that in the event of any explosion, the impact of the explosion will be directed at a fortified safety wall, which will minimize the impact of the explosion on the surrounding areas. The premises of our production facilities also have safety bunkers for our staff to take shelter during potential explosions.

- c) The production supervisor at each stage of our production process is responsible for the strict compliance with the relevant safety measures. Our transport manager is responsible for the strict compliance of safety measures during the transportation of raw materials and our products to and from our production facilities. They are our first-line of safety compliance officers. In respect of the transportation of raw materials and our products to and from our production facilities, we employ special container trucks that have been issued permits by the relevant authorities to transport explosives or materials that are explosive in nature. These container trucks are distinguished from normal trucks by their yellowish orange colour and their prominent "Explosive" labels to alert members of the public to the potentially dangerous contents of the trucks. As an added safety measure, the trucks are also fitted with a fire prevention cap over their exhaust pipes and lined with wooden planks on the inside.

We have not experienced any explosion of any magnitude at our production facilities or during the transportation of the raw materials or our products since we commenced our operations. Our Directors believe that based on the safety measures currently undertaken by our Group, the possibility of any explosions occurring at our production facilities or during the transportation of raw materials or our products have been kept to the minimum.

In addition to our internal checks, the relevant authorities also conduct safety checks on our operations and provide their opinions and recommendations. After the checks, any issues were promptly rectified. Following the explosive accident that occurred at an unrelated commercial explosives manufacturing plant in Shandong, the authorities heightened safety checks. Safety checks by the authorities for the financial year are described below:-

- a) The Fei County Industry & Information Technology Bureau conducted a total of twenty-four inspections on our factory and warehouse safety procedures.
- b) The Linyi Industry & Information Technology Bureau conducted a total of fifteen inspections on our factory and warehouse safety procedures.
- c) The Department of Industry and Information Technology of Shandong Province conducted a total of three inspections on our factory and warehouse safety procedures.
- d) The Linyi Emergency Management Bureau conducted a total of six inspections on our factory and warehouse safety procedures.
- e) The Fei County Emergency Management Bureau conducted a total of ten inspections on our factory and warehouse safety procedures.

SECURITY MEASURES

The Group has strict security measures in place to prevent loss or theft of explosives products, some of which are briefly described below:-

- a) A team of trained security guards who are each certified and/or licensed by the local Public Security Bureau guards all of our production facilities and warehouses, oversee the transportation of goods and safeguard our raw materials and finished goods. As at the financial year ended 30 June 2021, we had a security team comprising 110 guards.
- b) Entry into our production facilities and warehouses is restricted strictly to staff and authorized personnel only.
- c) Stringent approval procedures, documentation and checks with respect to the flow of raw materials and finished products are also implemented.

As testament to the effective implementation of our stringent security measures, there has not been any loss or theft of explosive raw materials or products from our facilities since we commenced our operations.

SAFETY AND SECURITY COMPLIANCE

Our security procedures are inspected by external parties as described below:-

- a) The local Public Security Bureau regularly inspects our factory and warehouse security procedures. The local Public Security Bureau does not issue an inspection report to our Group, and Yinguang Technology did not receive any negative feedback from the local Public Security Bureau. A total of seven inspections were made for the financial year ended 30 June 2021.
- b) The Department of Industry and Information Technology of Shandong Province carries out an inspection on our factory and warehouse security at least twice every year. The Department of Industry and Information Technology of Shandong Province does not issue an inspection report to our Group, and Yinguang Technology did not receive any negative feedback from the Department of Industry and Information Technology of Shandong Province.

Our internal auditors will also conduct checks on whether all of the Group's security measures and procedures are complied with, and such checks will be reported to the Audit Committee and disclosed in our Company's annual report every year.

The board of directors (the “Board” or the “Directors”) of Fabchem China Limited (the “Company”) and its subsidiaries, Shandong Yinguang Technology Co., Ltd, Shandong Jiehua Wenlv Zhiye Co., Ltd and Shandong Yinguang Safety Advisory Co., Ltd (“Subsidiaries”) (collectively the “Group”) is strongly committed to maintaining a high standard of corporate governance within the Company and the Group which is essential to the long-term sustainability of the Group’s business and performance. This Corporate Governance Report describes the Group’s corporate governance practices for the financial period ended 30 June 2021 (“FY2021”) with specific reference made to the Principles and Provisions of the Code of Corporate Governance 2018 (the “Code”) issued in August 2018, which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual.

The Board is pleased to report that for FY2021, the Company has adhered to the Principles of the Code, and the Provisions of the Code (except where otherwise explained). In areas where the Company’s practices vary from any Provisions of the Code, the Company has stated herein the Provision of the Code from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant Principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The primary role of the Board is to protect and enhance long-term shareholders’ value. Whereas the Board is collectively responsible for the success of the Company, the Board works hand in hand with the Management of the Company (the “Management”) towards achieving this end. The Board reviews Management’s performance and Management remains accountable to the Board. Key roles of the Board include providing entrepreneurial leadership, approving the Company’s objectives, major strategic directions and corporate policies, monitoring and reviewing financial and operating performance, approving annual budgets, major funding and investment proposals, risks assessment and management and appointing any new member to the Board and key personnel. Matters which required Board’s decision includes interested person transactions, material acquisitions and disposal of assets, corporate and financial restructuring, issuances of shares, dividends and other returns to shareholders. The Board manages the Group in the best interests of shareholders as well as the interest of other stakeholders and pursues the continual enhancement of the long-term shareholder value.

All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the best interests of the Company.

To assist the Board in the execution of its responsibilities, various Board Committees, namely the Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”) have been constituted with clearly defined terms of reference. Minutes of the Board Committees meetings are available to all Board members.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

Please refer to Table 1 – Board and Board Committees.

The Board conducts regular scheduled meetings. Additional meetings may be convened as and when circumstance require. The Company’s Constitution do provide for meetings to be held via telephone and video conferencing. The Board and Board Committees may also make decisions through circulating resolutions.

CORPORATE GOVERNANCE REPORT

Please refer to Table 2 – Attendance at Board and Board Committees meetings.

The Board's approval is required for the following matters that are likely to have a material impact on the Group's operations as well as matters other than in the ordinary course of business:

1. Major investment and funding
2. Interested Person Transactions
3. Material acquisition and disposal of assets
4. Corporate strategic direction and strategic action plans
5. Issuance of policies and key business initiatives
6. Issuance of shares
7. Declaration of interim dividends and proposal of final dividends
8. Announcement of the Group's half year and full year results and the release of the Annual Reports

The Board has adopted a set of internal controls which sets out authorization and approval limits governing operating and capital expenditure and investments and divestments.

A formal letter will be sent to newly-appointed Directors upon their appointment explaining their duties and obligations as Director. New Directors, upon appointment, will be briefed on the business and organisation structure of the Group, key areas of the Company's operations and on their duties and obligations as Directors.

Directors of the Company will also be updated from time to time of any news or changes to companies and securities legislation, rules and regulations. The Directors also received updates on the business of the Group through regular schedule meetings and ad-hoc Board meetings.

The Company has an on-going budget for all Directors to attend appropriate courses, seminars and conferences for them to stay abreast of the relevant business developments. These include programmes organized by the Singapore Institute of Directors or other training institutions.

All Directors have unrestricted access to the Company's records and information. From time to time, they are furnished with accurate and detailed information in a timely manner concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive Management.

As a general rule, detailed Board papers prepared for each meeting are normally circulated in advance of each meeting. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board and Board Committees meetings. Such explanatory information may also be in the form of briefings to provide additional insights to the Directors or formal presentations made by senior management staff in attendance at the meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the Company Secretary and to other senior management executives of the Group at all times in carrying out their duties.

The Management provided to the Board members with the management accounts on a quarterly basis, as well as adequate information prior to Board meetings and updates on initiatives and developments of the Group's business whenever possible, on an on-going basis.

The Board members have separate and independent access to the Company's senior management. The Board members (whether individually or as a group) have, in the furtherance of their duties, access to independent professional advice, if necessary, at the Company's expense.

The Company Secretary or her nominee administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

The Directors, in furtherance of their duties, are entitled to take independent professional advice at the expense of the Company when necessary.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Please refer to Table 1 – Board and Board Committees.

The NC reviews the size and composition of the Board and ensures that the Board has an appropriate balance of Independent Directors and that the size of the Board is conducive to effective discussions and decision-making. The Board currently comprises four Directors which include one Executive Director, one Non-Executive Non-Independent Director and two Independent Directors. The NC reviews the independence of each Director on an annual basis. The NC adopts the Code's definition of what constitutes an Independent Director in its review. In particular, it considers a Director as independent if he has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Company. In addition to the annual review by the NC of the independence of the Independent Directors, each Independent Director also submits an annual declaration confirming his continued independence.

As at the date of this report, Mr Wee Phui Gam, the Lead Independent Director of the Company, and Prof. Jiang Rongguang, the Independent Director of the Company, have served on the Board for more than nine years. The NC is of the view that both Mr Wee Phui Gam and Prof. Jiang Rongguang continue to demonstrate their abilities to exercise strong independent judgment in their deliberations and act in the best interests of the Company. The length of their service on the Board have not affected their independence from Management. They continue to express their views and debate on issues in connection with the Company's matters and Management's actions. Further, having gained indepth understanding of the business and operating environment of the Group, they provides the Company with the relevant experience and knowledge of the industry.

After taking all these factors into account and having weighed the need for Board refreshment against tenure for relative benefit, the NC has reviewed and determined that both Mr Wee Phui Gam and Prof. Jiang Rongguang continue to be independent, notwithstanding that their tenure on the Board has exceeded nine years. The NC has recommended to the Board and the Board has, with the NC's recommendation, reviewed their appointment and considers both Mr Wee Phui Gam and Prof. Jiang Rongguang to be independent. The Board is satisfied that both Mr Wee Phui Gam and Prof. Jiang Rongguang have truly demonstrated integrity, independent judgment, objectivity in the discharge of their duties, and professionalism and that there is no conflict of interest in dealings with the Company, rather than simply imposing a maximum number of years that they should serve on the Board, which can be arbitrary.

The NC has reviewed the independence of each Director for FY2021 in accordance with the Code's definition of independence and is satisfied that both Mr Wee Phui Gam and Prof. Jiang Rongguang remain as Independent Directors of the Company.

In view of the amendments to the SGX-ST Listing Manual, effective from 1 January 2022, which requires the re-appointment of directors who have served the Board beyond nine years from the date of their first appointment to be subjected to a two-tier shareholders voting in order to be considered independent, the Company has put in place the two-tier shareholders voting for any retiring Independent Director who has been a director for an aggregate period of more than nine years seeking re-election in the annual general meeting ("AGM") held from 2020 onwards. At the AGM of the Company held on 28 September 2020 ("FY2020 AGM"), approved the resolution on the continuation of Prof. Jiang Rongguang as an Independent Director until the earlier of (i) his retirement or his resignation, or (ii) the conclusion of the Company's third AGM following the FY2020 AGM.

CORPORATE GOVERNANCE REPORT

On 1 September 2018, following the demise of the Company's Non-Executive Chairman, the Company's Lead Independent Director Mr Wee Phui Gam was appointed as the Acting Chairman in the interim period. On 1 December 2018, Mr Sun Bowen, an Executive Director of the Company was re-designated to Non-Executive Non-Independent Director of the Company. As at the date of this report, the Independent Directors make up half of the Board. The Board is of the opinion that the Company currently has a diversified Board with 4 members from different background (finance and industry experts) and countries (Singapore and China). As the Acting Chairman is independent, Independent Directors make up half of the Board and are not required to make up a majority of the Board pursuant to Provision 2.2 of the Code. In accordance with Provision 2.3 of the Code, Non-Executive Directors make up a majority of the Board.

The NC is responsible for examining the size and composition of the Board and Board Committees. Taking into account the scope and nature of the Group's businesses and operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board considers a board size of between 4 to 8 members as appropriate. The Board believes that its current board size and composition effectively serves the Group and is not so large as to be unwieldy. It provides sufficient diversity without interfering with efficient discussion and decision-making.

The NC also aims to maintain a diversity of expertise, skills and attributes among the Directors and is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. The NC reviews the Board's collective skills matrix regularly. Any potential conflicts of interest are taken into consideration. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business. Currently, the Board comprises individuals from different countries, namely China and Singapore, and with diverse qualifications and backgrounds, including accounting, finance, investments and the relevant business industry that the Group is in.

Annually, the NC will discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Board may, at any time, seek to improve one or more aspects of its diversity and measure progress accordingly. The Company believes that a diverse Board will contribute to the achievement of its strategic and commercial objectives, including to:

1. drive business results;
2. make corporate governance more effective;
3. enhance quality and responsible decision-making capability;
4. ensure sustainable development; and
5. enhance the reputation of the Company.

The Independent Directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development.

The Non-Executive Director help to develop proposals on strategy, review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Board had adopted the recommendation of the Code to have separate persons who are not related to each other in any manner, appointed as Chairman and the Chief Executive Officer ("CEO"). This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

There is a clear division of the roles and responsibilities of the Chairman and the Managing Director ("MD") (equivalent to the position of a CEO). Different individuals assume the Chairman and the MD functions and the posts are, and will remain, separate. Mr Wee Phui Gam, the Lead Independent Director is the Company's Acting Chairman and assumes responsibility among others, in leading the Board to ensure its effectiveness and promoting high standards of corporate governance. The MD, Mr Bao Hongwei assumes the executive responsibilities of the day-to-day management of the Company. This division of responsibilities has been agreed among the Board members.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable power or influence. Further, the AC, RC and NC are chaired by Independent Director.

The Board had adopted the recommendation of the Code to appoint Mr Wee Phui Gam to be the Lead Independent Director. Mr Wee Phui Gam will be available to shareholders where they have concerns for which contact through the normal channels of the MD has failed to resolve or is inappropriate. In addition, the Lead Independent Director will coordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. Where necessary, the Lead Independent Director will chair meeting with Independent Directors without Executive Directors being present so as to facilitate well-balanced viewpoints to the Board.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Please refer to Table 1 – Board and Board Committees – on the composition of the NC.

The NC will be responsible for (a) the selection and appointment of any new Directors and re-nomination of the Directors having regard to the Director's contribution and performance, (b) determining annually whether or not a Director is independent and (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

In recommending new Directors to the Board, the NC takes into consideration the skills, experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors as well as Directors with the right profile of expertise, skills, attributes and ability. Further, the NC takes into consideration a variety of factors such as attendance, preparedness, participation and candor in evaluating a Director's contribution and performance for the purpose of re-nomination.

The principal functions of the NC is to establish a formal and transparent process for:

- making recommendations to the Board on all board appointments (including alternate directors, if any), including re-nominations, having regard, to the Director's competencies, commitment, contribution and performance;
- reviewing the structure, size and composition (balance of skills, knowledge, experience, independence, and diversity) of the Board and the Board Committees;
- making recommendations to the Board in respect of its review of Board succession plans for Directors training and professional development programmes for the Board and the Directors, and the process and criteria for evaluation of the performance of the Board, the Board Committees and the Directors;
- determining on an annual basis, whether or not a Director is independent and providing its views to the Board for the Board's consideration;
- reviewing the performance of Directors having multiple board representations on various listed companies and other principal commitments, deciding whether or not such Director is able to and/or has been adequately carrying out his or her duties as Director;
- assessing the performance and effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman of the Board and each individual Director to the Board, including the proposal of the objective performance criteria; and
- generally undertaking such other functions and duties as may be required by statute, the SGX-ST Listing Manual and/or the Code as may be amended, varied or supplemented from time to time.

CORPORATE GOVERNANCE REPORT

We believe that Board renewal must be an ongoing process, to ensure good governance and to maintain relevance to the business and changing needs of the Company. The Company's Constitution require at least one-third of the Directors to retire and subject themselves to re-election by shareholders at every AGM. In other words, no Director stays in office for more than three years without being re-elected by shareholders.

At the forthcoming AGM, Mr Sun Bowen and Mr Wee Phui Gam will be retiring by rotation pursuant to Article 107 of the Company's Constitution. Both of them, being eligible for re-election, have offered themselves for re-election. The Board of the Company and the NC have evaluated the overall contribution and performance of both Mr Sun Bowen and Mr Wee Phui Gam and their participation at board and committee meetings and determined that each of them continues to possess independent thinking and the ability to exercise objective judgement on corporate matters independently. The Board has accepted the NC's recommendation for their re-election to the Board.

Mr Sun Bowen will, upon re-election as a Director of the Company, remain as a Non-Executive Non-Independent Director as well as a member of the Audit, Nominating and Remuneration Committees.

In accordance with Rule 210(5)(d)(iii) of the SGX-ST Listing Manual, the continued appointment of an independent director after the director has served on the Board for an aggregate period of more than nine years will be subject to a two-tier vote and approval must be sought in separate resolutions by (a) all shareholders and (b) shareholders excluding the directors and the chief executive officer of the Company and their associates. The Company will adopt the two-tier shareholders voting process ahead of Rule 210(5)(d)(iii) coming into effect on 1 January 2022. As such, Mr Wee Phui Gam will be subjected to the two-tier voting process at the forthcoming AGM to seek the shareholders' approval for his continued appointment as an Independent Director of the Company.

Mr Wee Phui Gam will, upon re-election as a Director of the Company, remain as the Lead Independent Director as well as the Chairman of the Audit, Nominating and Remuneration Committees. In the event that any or all resolutions pertaining to Mr Wee Phui Gam's continued appointment as an Independent Director under the two-tier voting process are not passed, (that is, from shareholders or shareholders excluding the directors, chief executive officer and their respective associates) then he will continue to serve as an Independent Director up to and including 31 December 2021 and he will be re-designated as a Non-Executive Non-Independent Director with effect from 1 January 2022. In such circumstances, during the months prior to 31 December 2021, the Board will take steps to ensure that the Board has the appropriate number of Independent Directors with the relevant experiences in place with effect from 1 January 2022 to fulfil the requirements of the SGX-ST Listing Manual and Code of Corporate Governance, where applicable.

Please refer to the Notice of AGM for the resolutions put forth for both Directors' proposed re-elections.

New Directors are appointed by way of a Board Resolution, after the NC has approved their nomination. In its search and selection process for new Directors, other than through formal search, the NC taps on the resources of Directors' personal contacts and recommendations of potential candidates and appraises the nominees to ensure that the candidates possess relevant experience and have the calibre to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the Group.

Although some of the Directors hold directorships in other companies, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and each Director is able to and has been adequately carrying out his duties as a Director of the Company.

The NC and the Board are of the standpoint that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many other factors such as whether they are in full time employment and their other responsibilities or principal commitments. In addition, the board representations presently held by its Directors do not impede the performance of their duties to the Company.

All Directors are required to declare their board representations and other principal commitments. In view of the review process that the NC has put in place and the confirmation obtained from each individual Director that he has the individual responsibility to ensure that he can allocate sufficient time and attention to the affairs of the Company, the Board does not adopt any internal guidelines for multiple listed board representations for its Directors.

No alternate Director has been appointed to the Board.

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new Director. The NC then meets with the shortlisted potential candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as Director.

The profile of all Board members is set out in the section entitled 'Board of Directors'.

Please refer to Table 3 – Date of Directors' initial appointment and last re-election and their directorships.

Except as disclosed in Table 3, there were no other directorships or chairmanships held by the Directors over the preceding three years in other listed companies.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board, through the NC, has used its best efforts to ensure that Directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has adopted a formal process to assess the performance and effectiveness of the Board as a whole and contribution by each Individual Director to the effectiveness of the Board on an annual basis.

During the financial year, all Directors are requested to complete a Board Evaluation Questionnaire designed to seek their views on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board. The assessment criteria include Directors' attendance records at Board and Committees meetings and the contributions of the Board members. The responses are sent to the NC for review before submitting it to the Board for discussion and for it to determine the areas for improvement and enhancement of the Board's effectiveness. Following the review, the NC and the Board are of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

No external facilitator was engaged for the above assessment.

The performance criteria for the Board evaluation are based on financial and non-financial indicators such as an evaluation of the size and composition of the Board, the Board's access to information, Board's processes, strategy and planning, risk management, accountability, Board's performance in relation to discharging its principal functions, communication with senior management, standards of conduct of the Directors and the Company's share performance over a five-year period.

In terms of evaluation of individual Directors, they are assessed on their ability to contribute effectively as well as the level of their commitment to the role (including commitment of time for Board and Board Committees meetings, and any other duties).

The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seeks the resignation of Directors, in consultation with the NC. Each member of the NC shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the NC in respect of an assessment of his performance or re-nomination as Director.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Please refer to Table 1 – Board and Board Committees – on the composition of the RC.

According to the terms of reference of the RC, the role of the RC is to assist the Board with the following key terms:

- recommending to the Board for endorsement, a framework of remuneration for the Directors and key management personnel, and to determine specific remuneration packages for each Director and the CEO (or executive of equivalent rank);
- reviewing and considering the service contracts/agreements of the Executive Director(s), CEO and key management personnel, including incentive bonus, and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
- reviewing all long-term and short-term incentive schemes/plans for approval by the Board and shareholders, including the administration of such incentive schemes/plans (including share schemes) as may be implemented in accordance with their respective terms;
- performing an annual review of the remuneration packages of employees related to the Directors and substantial shareholders of the Company;
- considering the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances, including for example, misstatement of financial results, or misconduct resulting in financial loss to the Group; and
- generally undertaking such other functions and duties as may be required by statute, the SGX-ST Listing Manual and/or the Code as may be amended, varied or supplemented from time to time.

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and key management personnel, setting up remuneration policies and determining specific remuneration packages for each Director and key management personnel based on their performance and also reviewing the remuneration thereof. The RC has access to expert professional advice on human resource matters whenever there is a need for external consultation. In its deliberations, the RC takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry and the performance of the individual Directors. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes and benefits in kind shall be considered by the RC.

The RC meets at least once in every financial year. Each member of the RC shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the RC in respect of his remuneration package.

No independent consultant is engaged to conduct a review on the remuneration packages of the Company's Directors and key management personnel for FY2021. The Company will seek external expert advice should such a need arises. The Company has no termination benefits.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In its deliberations, the RC will take into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and the performance of the individual Directors. No Director will be involved in deciding his own remuneration.

The level of remuneration is structured such that consideration is given to each Director's corporate and individual performance. The RC ensures that the level of remuneration is appropriate to attract, retain and motivate the Directors to run the Company successfully. The performance related elements of remuneration are designed so as to align the interests of Executive Director with those of shareholders. These elements include (1) fixed component (i.e. basic salary); (2) variable component (i.e. performance bonus); (3) benefits provided are consistent with market practices including medical benefits, car allowance, club benefits and housing subsidy. In setting the remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies.

The Company has entered into separate service contracts with the Executive Director for an initial period of 3 years. The RC reviews the compensation commitments for early termination under the service contracts.

Executive Directors do not receive directors' fees. The Non-Executive Non-Independent Director receive monthly consulting fee as the Company's Senior Advisor. The Group recognises the need to pay competitive fees to attract, motivate and retain Non-Executive Director, without being excessive to the extent that his independence is compromised, and thereby maximising shareholder value. Prior to leaving the Company, Non-Executive Directors are encouraged not to sell their shares in the Company, to align their interests with the Company's.

The Company currently does not use any contractual provisions that allows it to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company. However, the Company will consider adopting such contractual provisions should the need arise in future.

The Company does not have long-term incentive scheme.

The remuneration of Non-Executive Directors is linked to their level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors.

In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Level and mix of remuneration of directors and key management personnel (who are not also directors or the CEO) for FY2021.

Please refer to Table 4 – Remuneration Table.

The Executive Director's remuneration comprise mainly his salary, allowances, bonuses and profit sharing awards conditional upon meeting certain profit before tax targets. The details of his remuneration package is given below.

The Company does not have employee share scheme.

The Independent Non-Executive Directors have remuneration packages which comprise of a Directors' fee component. The Directors' fees are based on a scale of fees divided into basic retainer fees as a Director and additional fees for serving on Board Committees and their roles in the Committee. Directors' fees for the Directors are subject to the approval of shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Except as disclosed in Table 4 of this report, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Sun Qiang is the son of the Non-Executive Non-Independent Director whose remuneration did not exceed S\$100,000 during FY2021. Apart from him, no employee of the Company and its subsidiary is an immediate family member of a Director and whose remuneration was paid more than S\$100,000 during FY2021.

Provision 8.1 of the Code recommends that the Company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual Director and the CEO; and (b) at least the top five (5) key management personnel (who are not Directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel, while Provision 8.2 of the Code recommends that the Company discloses the names and remuneration of employees who are substantial shareholders, or are immediate family members of a Director, the CEO or a substantial shareholder, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report, and such disclosure to state clearly the employee's relationship with the relevant Director or the CEO or substantial shareholder.

The Company has not fully adhered to the aforesaid Provisions 8.1 and 8.2 of the Code with respect to the disclosure of remuneration of the Directors (including the CEO), the key management personnel (who are not Directors or the CEO) and related employees. The Board has reviewed the disclosure of the remuneration of the Directors (including the CEO), the key management personnel (who are not Directors or the CEO) and related employees, and has decided not to disclose (i) the amount and breakdown of the remuneration of each individual Directors (including the CEO); (ii) the breakdown of the remuneration of the key management personnel (who are not Directors or the CEO); and (iii) the remuneration of related employees in bands no wider than S\$100,000.

The Board believes that such disclosure may be prejudicial to the Group's businesses given the competitive business environment that the Group operates in and the disadvantages that such disclosure may bring. The Board is of the view that the current disclosure of the remuneration presented herein in this Annual Report, which states (a) the level of remuneration (in remuneration bands of S\$250,000) as well as the mix of remuneration (in percentage terms) for each Director (including the CEO); (b) the level of remuneration (in remuneration bands of S\$250,000) for the key management personnel (who are not Directors or the CEO), as well as the total remuneration paid to the key management personnel (who are not Directors or the CEO) is sufficient to provide shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

The Board has reviewed the disclosure of the remuneration of the Directors and the key management personnel (who are not Directors or the CEO) and has decided not to fully disclose their remuneration as the Board believes that such disclosure may be prejudicial to its businesses given the competitive business environment and the disadvantages that it may bring.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board has overall responsibility to provide a balance and understandable assessment of the Company's performance, position and prospects in respect of the Company's reports and financial statements and other price sensitive information to regulators and shareholders.

The Management provides all members of the Board with management accounts on a monthly basis.

In line with the SGX-ST Listing Manual, the Board has received assurance from the MD and Finance Managers ("FMs") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the MD and FMs that they have evaluated the adequacy and effectiveness of the Group's risk management and internal control systems and assessed the internal auditors' reports on the Group's operations and external auditors' report on the financial statements and management letter of the Group, and noted that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Group's ability to record, process, summarise or report financial information.

The Board and the Board Committees are furnished with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. Management team and the Company's auditors would also provide additional information on the matters for discussion.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC reviews the adequacy and effectiveness of the Company's internal financial controls, operational and compliance controls, information technology controls and risk management policies and systems established by the Management (collectively "internal controls"). The AC further confirms that the internal audit function is independent, effective, adequately resourced and has appropriate standing within the Company.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness and confirmed the adequacy of the Company's internal controls. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance risks and information technology controls and risk management systems, were adequate as at 30 June 2021.

The Board is satisfied that the system of internal procedures, controls and reviews that the Group has in place provides reasonable assurance against material financial misstatements or loss, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks. The Board, with the concurrence of the AC, is therefore of the opinion that the Group's system of internal controls is adequate to address financial, operational, compliance and information technology controls, and risk management systems of the Group in its current business environment.

The AC and the Board has received assurance from the MD and the FMs that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control systems.

The Company does not have a Risk Management Committee. However, the Management and the internal auditor regularly reviews the Company's business and operational activities in order to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

In connection with risk management and setting risk tolerances, the Board determines the nature and extent of the significant risks it is willing to tolerate in achieving its strategic objectives and the conduct of its business activities. The risk appetite is translated into risk tolerances which are determined by establishing target control levels and target residual risk ratings for each identified risk. The decision can then be made to accept/tolerate the resulting residual risk level or implement treatment plans or strategies in addition to those already underway or planned to minimize the risk exposure.

Please refer to Table 1 – Board and Board Committees – on the composition of the AC.

CORPORATE GOVERNANCE REPORT

The Board is of the view that at least two members of the AC (including the Chairman of the AC) have recent and relevant accounting or related financial management expertise or experience to discharge the AC's responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any Executive Director or key management personnel to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. None of the AC members were previous partners or directors of the Company's existing auditing firm or auditing corporation of the Company: (a) within the previous 2 years commencing on the date of their ceasing to be a partner or director of the auditing firm or corporation, and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The AC will provide a channel of communication between the Board, the Management, the internal auditor and external auditors on matters relating to audit. The responsibilities of the AC include:

- assisting the Board in the discharge of its responsibilities on financial and reporting matters;
- reviewing, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls and results of the audits compiled by the internal and external auditors;
- reviewing the half yearly (where applicable) and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the SGX-ST Listing Manual and any other statutory/regulatory requirements;
- reviewing at least annually the adequacy and effectiveness of the Group's internal control and procedures addressing financial, operational, compliance and information technology risks, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss (in the absence of the Management where necessary);
- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- making recommendations to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing significant financial reporting issues and judgements with the FMs and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;
- reviewing and approving transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST Listing Manual (if any);
- reviewing reports prepared by the internal auditors on compliance with the guidelines and procedures for interested person transactions and any other potential conflicts of interest; and
- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

In the review of the financial statement for FY2021, the AC had discussed with the Management the accounting principles that were applied and their judgement of matters that might affect the integrity of the financial statements and also considered the appropriateness of the critical accounting estimates and judgements made in preparing the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditor and were reviewed by the AC:

Key Audit Matters	How the AC reviewed these matters and what decisions were made
Classification and measurement of the disposal group of assets and liabilities held for sale	<p>The AC considered the management's judgement on the Proposed Disposal Group's classification as held-for-sale through understanding the timeline, progress and status of the Proposed Disposal and written correspondences between the Company and Triple Vision Pte. Ltd. to determine whether the assets and liabilities should be classified as held-for-sale and whether its results represents a discontinued operations. In addition, the AC also assessed the management's assumptions on (i) allocation of assets and liabilities associated with the Disposal Group; (ii) distinguish the results between the continuing and discontinued operations and reconciled them to the underlying accounting records; and (iii) basis to write-down the assets of the Disposal Group to its fair value less costs to sell based on the sale consideration agreed with Triple Vision Pte. Ltd.. The AC also considered the adequacy of the disclosures made in the financial statements.</p> <p>The classification and measurement of the disposal group of assets and liabilities held for sale was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial period ended 30 June 2021. Refer to pages 60 and 61 of this Annual Report.</p>
Impairment assessment of trade receivables	<p>The AC considered the Management's assumptions and estimates used to determine the collective impairment for expected credit loss and individual impairments on trade receivables and had also discussed such assumptions and assessment with the Management.</p> <p>The AC was satisfied with the Management's assumptions and estimates used on the assessment of impairment on trade receivables.</p> <p>The impairment of trade receivables was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial period ended 30 June 2021. Refer to pages 61 and 62 of this Annual Report.</p>

The AC also meet up with the internal and external auditors without any executive of the Company being present at least once on an annual basis and as and when necessary during the year.

The AC has reviewed the independence of the Company's external auditors and is satisfied with the independence and objectivity of the external auditors. The aggregate amount of fees paid to the external auditors of the Group for audit services was S\$80,000. The non-audit services provided by the external auditors for FY2021 was S\$14,200 comprised tax compliance work of S\$2,200 and sustainability reporting work of S\$12,000. The AC is of the opinion that the independence and objectivity of the external auditors would not be impaired by the provision of these non-audit services. The AC has also recommended the re-appointment of the auditors to the Board.

The Company has in place whistle-blowing policies and arrangements by which the staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports are to be sent to the head of the internal audit function. The internal auditor and the Chairman of the AC will be informed immediately of all whistle-blowing reports received.

There were no reported incidents pertaining to whistle-blowing for FY2021.

As at the date of this Annual Report, the AC has met with the external auditors separately without the presence of Management to review any area of audit concern.

CORPORATE GOVERNANCE REPORT

The AC is kept abreast by the Management and the external auditors of changes to accounting standards, SGX-ST Listing Manual and other regulations which could have an impact on the Group's business and financial statements. In FY2021, the Company's external auditors RSM Chio Lim LLP conducted a briefing session for the Board on the changes to the accounting standards, laws and regulations during the AC meetings. Continuing education is also provided to update and enhance the skills and knowledge of members in the AC. Following a self-review, AC is satisfied that it had been adequately fulfilling its duties.

The Group has appointed different auditors for its overseas subsidiaries. The Board and AC have reviewed that the appointment of different auditors for its overseas subsidiaries and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. The Company is in compliance with Rules 712, 715 and 716 of the SGX-ST Listing Manual in relation to its independent auditors.

The Company has set up an Internal Audit ("IA") function to provide internal audit services to the Company. The IA's function is to report to the AC on audit matters and oversee and institute the function of internal audits, prepare timely reports and communications to the various Committees, and administrative and operational matters to the Board. The internal auditor will also conduct checks on whether the Company's safety and security measures and procedures are complied with and will issue reports to the AC. These safety and security measures are disclosed in the section entitled "Safety and Security Compliance" of this Annual Report. The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor is a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants.

To ensure the internal auditor's ability to discharge its functions satisfactorily, the internal auditor is given unfettered access to all the Company's documents, records, properties and personnel (including access to the AC).

In FY2021, the AC met with the internal auditor without the presence of Management. The AC will continue to review specific audit risk areas and ensure that the IA function as discharged by the internal auditor is adequate and effective.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company is committed to engage in regular and timely communication with shareholders as part of the organisation's development to build systems and procedures that will enable the Group to compete internationally. The Company places great emphasis on investor relations and strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Group's performance, financial position and prospects.

Management supported the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM and/or general meetings to stay informed of the Company's strategies and goals and to ensure a high level of accountability by the Management. They are also given the opportunity and time to air their views and ask the Directors or Management questions regarding the Company.

The Annual Report together with the Notice of AGM for FY2021 will be disseminated to the shareholders via the SGXNET and will also be made available at the Company's corporate website <http://www.fabchemchina.com> at least 14 calendar days or 21 calendar days, as the case may be, before the meeting (excluding the date of notice and the date of meeting).

The Board welcomes questions from shareholders either informally or formally before or at the AGM. The Chairman of the respective AC, RC and NC are available at the meeting to answer those questions relating to the work of the respective Board Committees. The Company's external auditors are also present to assist the Directors in addressing any relevant queries by shareholders. All Directors, Management, Company Secretary, and external auditors attended the Company's AGM via live webcast in respect of FY2020 held on 28 September 2020. The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or the Management questions regarding the Company and its operations.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions. To promote greater transparency in the voting process and in accordance with the SGX-ST Listing Manual, all resolutions put forth at the general meetings of the Company are put to vote by way of poll, and their detailed results including the total number and the respective percentage of votes cast for and against each resolution will be announced via the SGXNET.

The Company Secretary prepares minutes of the general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and the Management. These minutes are subsequently approved by the Board. On receipt of any request from shareholders, the minutes will also be made available to them at the registered office of the Company during office hours. The minutes of the AGM in respect of FY2021 will be published to the SGXNET and on the corporate website of the Company within one month from the AGM date.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allows each shareholder to appoint up to two proxies to attend the Company's general meetings and vote on their behalf. Voting in absentia and by mail, electronic mail or facsimile may be possible at the Directors' discretion to approve or implement, subject to the security measures as may be deemed necessary or expedient to ensure that the integrity of the information and authentication of the identity of shareholder(s) is not compromised. The Proxy Form is included in the Annual Report and disseminated to all shareholders prior to the AGM via the SGXNET and will also be made available at the Company's corporate website <http://www.fabchemchina.com>

The Group has a dividend policy of distributing at least 10% of profit attributable to shareholders every financial year.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company has not put in place an investor relations policy to promote regular and proactive communication with shareholders. The Company will review such need going forward.

The Company believes in engaging a regular, effective and fair communication with its shareholders and is committed to convey pertinent information to its shareholders on a timely basis. The Company takes care to ensure that information that is made publicly available on a timely basis. Disclosure of information is made through announcements released to the SGX-ST, the Company's annual reports, circulars, press releases, as well as on the corporate website <http://www.fabchemchina.com> which has a dedicated investor relations section.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act (Cap 50) of Singapore, the Board's policy is that all shareholders should be equally and timely informed of all major developments that will impact the Company or the Group. Information is communicated to shareholders on a timely basis through the SGXNET and the press.

Shareholders and investors are also encouraged to contact the Group's investor relations contact, being Mr Alex Tan, at this email address: alex.tan@8prasia.com or ir@fabchemchina.com. This channel of communication is designed to facilitate regular and effective communication in an open and non-discriminatory approach on changes to the Company as well as its performance or business developments which would be likely to materially affect the price or value of the shares. The Group's investor relations contact endeavour to respond to shareholder queries promptly and effectively, and usually does so within a week of receiving such queries.

CORPORATE GOVERNANCE REPORT

MANAGING STAKEHOLDERS RELATIONSHIP

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company's engagement with all stakeholders will be set out in detail in the Sustainability Report to be published annually on the Company's corporate website.

The Company takes its corporate social responsibility seriously and it is not involved nor does it have any legal violation pertaining to future generation, employee, customer and community.

The Company's announcements, financial results, annual reports and Code of Conduct are available on the Company's website at <http://www.fabchemchina.com>.

The forthcoming FY2021 AGM will be convened and held by way of electronic means:

1. Due to the current COVID-19 situation and the related elevated safe distancing measures in Singapore, the AGM of the Company will be convened and held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. A member will not be able to attend the AGM in person. A member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM.
3. Printed copies of the Notice of AGM will not be sent to members. The electronic copies of the Notice of AGM and the Annual Report are made available on the
 - Company's website at the URL <http://www.fabchemchina.com>; and
 - SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.
4. The procedure of registration of live webcast, proxy form submission and submission of questions in advance of the AGM can be found in the AGM Notice.

OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES

The Group has adopted an internal code in relation to dealings in the Company's securities pursuant to Rule 1207(19) of the SGX-ST Listing Manual that is applicable to the Company and all its officers. The internal code prohibits the officers from dealing in the Company's shares on short-term considerations. The Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of one month prior to the announcement of the Company's half year and full year results; and ending on the date of the announcement of the relevant results.

Directors and Executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

MATERIAL CONTRACTS

Save as disclosed in the Interested Person Transactions section, there are no material contracts entered into by the Company or its subsidiaries involving the interest, direct or deemed, of the MD or any Director or controlling shareholders (as defined in the SGX-ST Listing Manual), during FY2021.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are carried out at arms' length and on normal commercial terms and will not be prejudicial to the interests of the Company, its subsidiaries and its minority shareholders. The AC will review and approve all interested person transactions as defined by the SGX-ST Listing Manual.

During FY2021, the following interested person transactions were entered into by the Group:

Name of interested person	Nature	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)	
		FY2021	FY2020	FY2021	FY2020
		RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Security Services Co., Ltd ⁽¹⁾	Provision of security services	—	—	10,000	6,200
Shandong Laizhou Ping'an Commercial Explosives Co., Ltd ⁽¹⁾	Sales of commercial explosives	—	—	7,469	—

Footnotes:

- (1) The relevant general mandate was approved at the Extraordinary General Meeting held on 31 July 2017 and was updated and approved at the AGM held on 28 September 2020.

USE OF PROCEEDS

For FY2021, the Group has a total unutilised IPO proceeds of approximately RMB 2.0 million (FY2020: RMB 2.0 million).

The Board will continue to make periodic announcement on the utilization of the balance of the IPO proceeds until the whole of the IPO proceeds has been fully disbursed.

CORPORATE GOVERNANCE REPORT

TABLE 1 – BOARD AND BOARD COMMITTEES

Name of Director	Board Membership	Audit Committee	Remuneration Committee	Nominating Committee
Bao Hongwei	Executive/Non-Independent	–	–	–
Wee Phui Gam	Non-Executive/Independent	Chairman	Chairman	Chairman
Prof. Jiang Rongguang	Non-Executive/Independent	Member	Member	Member
Sun Bowen	Non-Executive Non-Independent	Member	Member	Member

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEES MEETINGS

	BOARD		AUDIT		REMUNERATION		NOMINATING	
	No. of Meetings	No of Meetings Attended	No. of Meetings	No of Meetings Attended	No. of Meetings	No of Meetings Attended	No. of Meetings	No of Meetings Attended
Bao Hongwei	2	2	–	–	–	–	–	–
Wee Phui Gam	2	2	3	3	1	1	1	1
Prof. Jiang Rongguang	2	2	3	3	1	1	1	1
Sun Bowen	2	1	3	2	1	0	1	0

TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT & LAST RE-ELECTION & THEIR DIRECTORSHIPS

Name of Director	Age	Appointment	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past (preceding 3 years) directorships in listed companies	Other principal commitments
Bao Hongwei	51	Managing Director	16 June 2005	28 September 2020	Nil	Nil	Nil
Wee Phui Gam	68	Lead Independent Director	15 October 2009	31 July 2019	Imperium Crown Limited	Nil	Managing Partner at P G Wee Partnership LLP Director at P G Tax Services Pte Ltd Managing Partner at Y.C. Lee & Co.
Prof. Jiang Rongguang	70	Independent Director	11 October 2010	28 September 2020	Nil	Nil	Member of the Editorial Board of the Commercial Explosives magazine
Sun Bowen	70	Non-Executive Non-Independent Director	16 June 2005	31 July 2019	Imperium Crown Limited	Nil	Director at Shandong Yinguang Technology Co., Ltd, Shandong Yinguang Wen Chuang Yuan Co., Ltd and Global Entertainment Media Pte. Ltd.

TABLE 4 – REMUNERATION TABLE

a) Directors' remuneration

For competitive reasons, the Company is not disclosing the annual remuneration of each individual Director for FY2021. Instead, we are disclosing the bands of remuneration as follows:

Name of Director	S\$0 to S\$250,000	Directors' Fees ⁽¹⁾ (%)	Fixed Salary (%)	Consulting Fees (%)
Executive Director				
Bao Hongwei	✓	–	100.0	–
Independent Directors				
Wee Phui Gam	✓	100.0	–	–
Jiang Rongguang	✓	100.0	–	–
Non-Executive Non-Independent Director				
Sun Bowen	✓	20.4	–	79.6

(1) The remuneration in the form of Directors' fees is subject to the approval of the shareholders at the forthcoming AGM.

b) Top Four Key Management Personnel Remuneration

The Group has only four (4) key management personnel (who are not Directors of the Company) during FY2021. Details of remuneration paid to the key management personnel (who are not Directors of the Company) of the Group for FY2021 are set out below. For competitive reasons, the Company is only disclosing the band of remuneration for each key management personnel for FY2021 under review as follows:

Name of Key Management Personnel	Below S\$250,000	Percentage of Variable Remuneration (%)	Percentage of Fixed Remuneration (%)
Sun Qiang	✓	–	100.0
Yang Xingdong	✓	–	100.0
Kwek Wei Lee	✓	–	100.0
Chen Hongyu	✓	–	100.0

The annual aggregate remuneration paid to the top four key management personnel is approximately S\$503,000.

There are no termination, retirement and post-employment benefits granted to the Directors, the MD and the top four key management personnel (who are not Directors or MD) of the Group.

c) Immediate families of Directors

Sun Qiang is the son of the Non-Executive Non-Independent Director whose remuneration did not exceed S\$100,000 during FY2021. Apart from him, no employee of the Company and its subsidiary is an immediate family member of a Director and whose remuneration was paid more than S\$100,000 during FY2021.

CORPORATE GOVERNANCE REPORT

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Sun Bowen and Mr Wee Phui Gam are the Directors seeking re-election at the forthcoming AGM of the Company to be convened on 28 October 2021 (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the SGX-ST Listing Manual:

	Mr Sun Bowen	Mr Wee Phui Gam
Date of Appointment	16 June 2005	15 October 2009
Date of last re-appointment	31 July 2019	31 July 2019
Age	70	68
Country of principal residence	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Sun Bowen as the Non-Executive Non-Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities.	The re-election of Mr Wee Phui Gam as the Lead Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive / Non-Independent	Non-Executive / Independent
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc)	Non-Executive Non-Independent Director, member of the Audit, Nominating and Remuneration Committees	Acting Chairman and Lead Independent Director, Chairman of Audit, Nominating and Remuneration Committees
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interests (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships#		
Past (for the last 5 years)	Nil	Nil

	Mr Sun Bowen	Mr Wee Phui Gam
Present	<ul style="list-style-type: none"> - Imperium Crown Limited (Executive Chairman) - Shandong Yinguang Technology Co., Ltd (Director) - Shandong Yinguang Wen Chuang Yuan Co., Ltd (Director) - Global Entertainment Media Pte. Ltd. (Director) 	<ul style="list-style-type: none"> - Imperium Crown Limited (Lead Independent director) - P G Wee Partnership LLP (Managing Partner) - P G Tax Services Pte Ltd (Director) - Y.C. Lee & Co. (Managing Partner)
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

CORPORATE GOVERNANCE REPORT

	Mr Sun Bowen	Mr Wee Phui Gam
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

	Mr Sun Bowen	Mr Wee Phui Gam
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No

CORPORATE GOVERNANCE REPORT

	Mr Sun Bowen	Mr Wee Phui Gam
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable as this is for re-election of a director.	Not applicable as this is for re-election of a director.

The professional qualifications, working experience and other relevant information of the members of the Board are set out on page 10 to the Annual Report.

The Directors' interests in shares are disclosed on page 57 of the Statement by Directors.

The directors are pleased to present the consolidated financial statements of Fabchem China Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the reporting period from 1 April 2020 to 30 June 2021.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the period from 1 April 2020 to 30 June 2021 in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International); and
- (b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the Company in office at the date of this statement are:

Bao Hongwei
Sun Bowen
Wee Phui Gam
Prof. Jiang Rongguang

3. Directors’ interests in shares and debentures

The directors of the Company holding office at end of the reporting period were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors’ shareholdings kept by the Company under section 164 of the Act except as follows:

Name of company and directors in which interests are held	At 1 April 2020	At 30 June 2021
Deemed interest through corporate shareholders	Number of shares of no par value	
Fortsmith Investments Limited		
Sun Bowen	15,140,000	15,140,000

The directors’ interests as at 21 July 2021 were the same as those at the end of the reporting period.

By virtue of section 7 of the Act, Mr Sun Bowen is deemed to have an interest in the Company and its subsidiaries.

STATEMENT BY DIRECTORS

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting period nor at any time during the reporting period did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

5. Options

During the reporting period, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting period, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting period, there were no unissued shares under option.

6. Report of audit committee

The members of the audit committee at the date of this report are as follows:

Wee Phui Gam (Chairman)
Sun Bowen
Prof. Jiang Rongguang

The audit committee carried out its functions in accordance with section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by the Company's officers to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded when the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the Company.

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal auditor and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that Company's internal controls, addressing financial, operational, compliance risks and information technology controls and risk management systems, were adequate as at 30 June 2021.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 27 August 2021, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

Bao Hongwei
Director

4 October 2021

Sun Bowen
Director

INDEPENDENT AUDITOR'S REPORT

to the Members of Fabchem China Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fabchem China Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the period from 1 April 2020 to 30 June 2021, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the period from 1 April 2020 to 30 June 2021.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Classification and measurement of the disposal group of assets and liabilities held for sale

Risk

The Company has entered into a sale and purchase agreement ("SPA") dated 19 March 2021 with its ultimate parent company, Triple Vision Pte. Ltd. for proposed disposal of the entire interest in Shandong Yinguang Technology Co., Ltd. and its wholly owned subsidiaries (collectively, the "Proposed Disposal Group"), which are in the business of production and sale of commercial explosive products comprising explosive devices segment, industrial fuse and initiating explosives devices segment and industrial detonators segment of the Group, for an aggregate cash consideration of S\$ 18,000,000 (or equivalent to RMB 86,400,000), subject to the terms and conditions set out in the SPA.

Management has therefore assessed that the Proposed Disposal Group should be classified and presented as disposal group classified as held-for-sale and as a discontinued operations in accordance with SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations. The asset and liabilities of the Disposal Group are reclassified as "Assets of disposal group classified as held-for-sale" and "Liabilities directly associated with disposal group classified as held-for-sale" respectively, as at 30 June 2021 and the results of the Proposed Disposal Group are presented and classified as "Discontinued operations" for the period from 1 April 2020 to 30 June 2021, with the result for the comparative period re-presented. Accordingly, the management has also based on the offer price of S\$ 18,000,000 (or equivalent to RMB 86,442,000) made impairment allowance of RMB 51,942,000 on the carrying value of disposal group's non-current assets.

Key audit matters (continued)

(a) Classification and measurement of the disposal group of assets and liabilities held for sale (continued)

Risk (continued)

Due to the level of judgements involved in assessing the criteria for separate classification and presentation of assets and liabilities as disposal group classified as held-for-sale, the results as discontinued operations, estimating the fair value less costs to sell of the assets held for sale and the significance of the carrying amounts of the assets and liabilities associated with the Proposed Disposal Group, we considered this to be a key audit matter.

The related disclosure of the discontinued operations is contained in the consolidated statement of profit or loss and other comprehensive income, statements of financial position, consolidated statement of cash flows, Note 2B, Note 2C and Note 14 Discontinued operations and disposal group classified as held-for-sale of the financial statements.

Our response

We challenged the management's judgement on the Proposed Disposal Group's classification as held-for-sale through understanding the timeline, progress and status of the Proposed Disposal and examining minutes of the Directors' board meetings and written correspondences between the Company and Triple Vision Pte. Ltd. to determine whether the assets and liabilities should be classified as held-for-sale and whether its results represents a discontinued operations.

In addition, we also assessed the management's assumptions on (i) allocation of assets and liabilities associated with the Disposal Group; (ii) distinguish the results between the continuing and discontinued operations and reconciled them to the underlying accounting records; and (iii) basis to write-down the assets of the Disposal Group to its fair value less costs to sell based on the sale consideration agreed with Triple Vision Pte. Ltd..

We also considered the adequacy of the disclosures made in the financial statements.

(b) Impairment assessment of trade receivables

Risk

Trade receivables from discontinued operations accounted for 5% (or RMB 12,901,000) of the Group's total assets as at 30 June 2021. Allowance for impairment are made for expected credit losses using a provision matrix and it is considered to be a matter of most significance as it requires significant management's judgements and estimates in determining the recoverability of trade receivables for impairment assessment and, where relevant, incorporated forward-looking information that reflect management's view of potential future economic conditions. At the end of the reporting period, the Group had made collective impairments of approximately RMB 2,941,000 for expected credit losses, representing 11% of total gross trade receivables.

In addition, the Group also made allowance for individual impairment of those credit-impaired trade receivables of approximately RMB 12,471,000, representing 47% of total gross trade receivables.

Related disclosures of the accounting judgements and estimates and impairment of trade receivables are included in Note 2C and Note 19A of the financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Members of Fabchem China Limited

Key audit matters (continued)

(b) Impairment assessment of trade receivables (continued)

Our response

With involvement of the component auditors, we have reviewed the collective impairments assessments by obtaining an understanding of provision matrix developed by the Group and assessed management's assumptions and estimates, in particular, the historical observed default rates of trade receivables grouped based on shared credit risk characteristics and those relating to forward-looking information.

In addition, we also evaluated the management's assumptions and estimates used to determine the individual impairments taking into account the local facts and circumstances which are considered key considerations for each credit-impaired receivables.

We also considered the adequacy of the loss allowance recorded as at end of the reporting period and the disclosures made in the financial statements in describing the inherent degree of subjectivity and key assumptions in the estimation of the impairment loss on trade receivables and its related risks such as credit risk and the aging of trade receivables as disclosed in Note 2C and Note 19A of the consolidated financial statements.

Other information

Management is responsible for the other information. Other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

to the Members of Fabchem China Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

to the Members of Fabchem China Limited

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Goh Swee Hong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

4 October 2021

Engagement partner - effective from year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period from 1 April 2020 to 30 June 2021

	Note	Group	
		01.04.2020 to 30.06.2021 RMB'000	01.04.2019 to 31.03.2020 RMB'000 (Re-presented)
Revenue	5	—	—
Cost of sales		—	—
Gross profit		—	—
Administrative expenses		(7,290)	(8,121)
Finance costs	8	(21)	(29)
Other losses	9	(43)	(3)
Loss before tax from continuing operations	11	(7,354)	(8,153)
Income tax expense	12	(300)	(250)
Loss from continuing operations, net of tax		(7,654)	(8,403)
Loss from discontinued operations, net of tax	14	(63,099)	(28,920)
		(70,753)	(37,323)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences, net of tax	23	118	(13)
Other comprehensive income / (loss) for the period, net of tax		118	(13)
Total comprehensive loss for the period		(70,635)	(37,336)
		RMB	RMB
Loss per share			
Basic and diluted	13		
- Continuing operations		(0.16)	(0.18)
- Discontinued operations		(1.35)	(0.62)
		(1.51)	(0.80)

Consolidated statement of profit or loss and other comprehensive income for comparative period have been re-presented in accordance with SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations as a result of proposed disposal as disclosed in Note 14.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021

	Note	Group		Company	
		30.06.2021	31.03.2020	30.06.2021	31.03.2020
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	–	101,139	–	–
Right-of-use assets	16	181	60,281	181	444
Investment in subsidiaries	17	–	–	–	112,237
Total non-current assets		181	161,420	181	112,681
Current assets					
Assets of disposal group classified as held-for-sale	14	262,337	–	86,441	–
Inventories	18	–	29,434	–	–
Trade and other receivables	19	939	24,273	939	1,662
Other assets	20	120	19,896	120	206
Cash and cash equivalents	21	681	76,486	681	615
Total current assets		264,077	150,089	88,181	2,483
Total assets		264,258	311,509	88,362	115,164
EQUITY AND LIABILITIES					
Equity					
Share capital	22	116,849	116,849	116,849	116,849
Accumulated losses		(121,677)	(50,924)	(28,671)	(5,205)
Other reserves	23	89,093	88,975	(3,914)	(48)
Total equity		84,265	154,900	84,264	111,596
Non-current liabilities					
Deferred tax liabilities	12	–	2,625	–	–
Lease liabilities	24	–	253	–	253
Other payables	25	–	11,560	–	–
Total non-current liabilities		–	14,438	–	253
Current liabilities					
Liabilities directly associated with disposal group classified as held-for-sale	14	175,895	–	–	–
Trade and other payables	25	2,464	72,528	2,464	2,906
Other financial liabilities	26	1,441	58,000	1,441	–
Lease liabilities	24	193	205	193	205
Other liabilities	27	–	11,438	–	204
Total current liabilities		179,993	142,171	4,098	3,315
Total liabilities		179,993	156,609	4,098	3,568
Total equity and liabilities		264,258	311,509	88,362	115,164

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Period from 1 April 2020 to 30 June 2021

Group	Total equity RMB'000	Share capital RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000
Current period						
At 1 April 2020	154,900	116,849	(50,924)	44,000	44,117	858
Changes in equity						
Total comprehensive loss for the period	(70,635)	—	(70,753)	—	—	118
At 30 June 2021	<u>84,265</u>	<u>116,849</u>	<u>(121,677)</u>	<u>44,000</u>	<u>44,117</u>	<u>976</u>
Previous period						
At 1 April 2019	192,236	116,849	(13,601)	44,000	44,117	871
Changes in equity						
Total comprehensive loss for the period	(37,336)	—	(37,323)	—	—	(13)
At 31 March 2020	<u>154,900</u>	<u>116,849</u>	<u>(50,924)</u>	<u>44,000</u>	<u>44,117</u>	<u>858</u>

Company	Total equity RMB'000	Share capital RMB'000	Accumulated losses RMB'000	Foreign currency translation reserve RMB'000
Current period				
At 1 April 2020	111,596	116,849	(5,205)	(48)
Changes in equity				
Total comprehensive loss for the period	(27,332)	—	(23,466)	(3,866)
At 30 June 2021	<u>84,264</u>	<u>116,849</u>	<u>(28,671)</u>	<u>(3,914)</u>
Previous period				
At 1 April 2019	114,383	116,849	(1,802)	(664)
Changes in equity				
Total comprehensive loss for the period	(2,787)	—	(3,403)	616
At 31 March 2020	<u>111,596</u>	<u>116,849</u>	<u>(5,205)</u>	<u>(48)</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 April 2020 to 30 June 2021

	Group	
	01.04.2020 to 30.06.2021 RMB'000	01.04.2019 to 31.03.2020 RMB'000
Cash flows from operating activities		
Loss before tax		
- Continuing operations	(7,354)	(8,153)
- Discontinued operations (Note 14)	(65,224)	(12,714)
	(72,578)	(20,867)
Adjustments for:		
Allowance for impairment on trade and other receivables	3,278	4,207
Reversal of allowance for impairment on trade and other receivables	(1,939)	(6,660)
Depreciation of property, plant and equipment	8,022	5,776
Depreciation of right-of-use assets	2,180	2,609
Gain on disposal of assets held for sales	—	(631)
Gain on disposal of plant and equipment	(331)	(33)
Plant and equipment written-off	6	—
Provision for safety expenses	2,851	2,274
Impairment allowance on property, plant and equipment	51,942	1,644
Inventories written-off	429	102
Inventories written-down / (reversal)	688	(139)
Write back of payables	(101)	—
Net effect of exchange rate changes in translation of financial statements of parent company	96	(13)
Interest expense	5,956	5,404
Interest income	(298)	(275)
Operating cash flows before changes in working capital	201	(6,602)
Inventories	(8,415)	(6,485)
Trade and other receivables	7,753	9,198
Other assets	(709)	(6,769)
Trade and other payables	22,389	6,830
Other liabilities	(1,895)	4,792
Net cash flows from operations	19,324	964
Income taxes paid	(300)	(500)
Net cash flows from operating activities	19,024	464
Cash flows from investing activities		
Proceeds from disposal of assets held for sales	—	3,684
Proceeds from disposal of plant and equipment	390	33
Purchase of property, plant and equipment	(8,442)	(6,879)
Interest received	298	275
Net cash flows used in investing activities	(7,754)	(2,887)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 April 2020 to 30 June 2021

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from loan from a shareholder	1,441	—
Proceeds from bank borrowings	77,500	58,000
Repayment of bank borrowings	(78,000)	(58,000)
Lease payments	(255)	(220)
Loan interest paid	(4,346)	(4,078)
Net cash flows used in financing activities	(3,660)	(4,298)
Net increase / (decrease) in cash and cash equivalents	7,610	(6,721)
Cash and cash equivalents at beginning of the period	76,486	83,207
Cash and cash equivalents at end of the period (Note 21A)	84,096	76,486

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

1. General

Fabchem China Limited (the “Company”) is incorporated in Singapore with limited liability. The financial statements are presented in Chinese Renminbi (“RMB”) and comprise the Company and its subsidiaries (together referred to as the “Group”).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The Company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Company was placed on the watch-list of the SGX-ST due to the Financial Entry Criteria with effect from 5 December 2018.

The principal activities of the subsidiaries are described in Note 17 below.

The registered office is at 8 Robinson Road #03-00, ASO Building Singapore 048544. The Company is situated in Singapore.

The Company changed its reporting year end from 31 March to 30 June in February 2021. Therefore, the current reporting period is a fifteen-month period from 1 April 2020 to 30 June 2021.

The Corona Virus Disease (“Covid-19”) pandemic

Management has not identified any material uncertainties resulting from the Covid-19 pandemic and the aftermath of the pandemic surrounding the Group’s business, and accordingly none is disclosed in these financial statements.

Going concern assumption

For the reporting period ended 30 June 2021, whilst the Group generated positive operating cash flow of RMB 19,024,000 (Period ended 31 March 2020: RMB 464,000), it recorded a net loss of RMB 70,753,000 (Period ended 31 March 2020: net loss of RMB 37,323,000). These factors indicate the existence of a material uncertainty which may cast doubt on the Group and the Company’s ability to continue as going concerns.

Notwithstanding the above, management assessed that there is no material uncertainty related to these conditions that may cast significant doubt on the Group and the Company’s ability to continue as going concerns in consideration of factors, including and not limited to, the completion of the proposed disposal of Shandong Yinguang Technology Co., Ltd. and its subsidiaries for consideration of S\$18 million (as disclosed in Note 14).

The management has also assessed the Group’s 12 months cash flow projection from the balance sheet date based on certain assumptions and estimates. Based on the cash flow projection, the Group is expected to be able to meet its commitments as well as repay its debts as and when they fall due within the next 12 months.

In that event, the Group and Company is unable to discharge their liabilities in the normal course of business. Non-current assets and non-current liabilities may need to be reclassified as current assets and liabilities, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. No such adjustments have been made to the financial statements.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS (I) s”) and the related Interpretations to SFRS (I) (“SFRS (I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

1. General (continued)

Accounting convention

The financial statements have been prepared on the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of consolidation

The consolidated financial statements include the financial statements made up to the end of the reporting period of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the Group obtains control of the investee and cease when the Group loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as fair value through profit or loss financial assets in accordance with SFRS(I) 9.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Act, the Company's separate statement of profit or loss and other comprehensive income and statement of cash flows are not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of goods

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer generally on delivery of the goods (in this respect, incoterms are considered).

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The Group's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the Group is contractually obliged or where there is constructive obligation based on past practice.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have each participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute to a certain percentage to the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group.

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency of the Company is the Singapore dollar ("S\$") as it reflects the primary economic environment in which the Company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting period, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting period and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges. The presentation currency is the Chinese Renminbi ("RMB").

For the RMB financial statements assets and liabilities are translated at period end rates of exchange and the income and expense items are translated at average rates of exchange for the reporting period. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translations of S\$ amounts into RMB amounts are included solely for the convenience of readers. The reporting period end rates used are S\$ 1.00 to RMB 4.8023 (31.03.2020: S\$ 1.00 to RMB 4.9790) which approximate the rate of exchange at the end of the reporting period. The average rates of exchange for the current reporting period were S\$ 1.00 to RMB 4.9366 (Period ended 31 March 2020: S\$ 1.00 to RMB 5.0802). Such translation should not be construed as a representation that the RMB amounts could be converted into S\$ at the above rate or other rate.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting period rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting period. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the relevant entity is disposed.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current period and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting period in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting period and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	—	3.3% to 5%
Plant and equipment	—	5% to 33.3%

Construction-in-progress represents buildings under construction and plant and equipment pending installation. These assets will reclassify to the respective categories of property, plant and equipment upon completion. Depreciation only begin when the relevant assets are available for use.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting period and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Land use rights

Land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights – 2% to 5%

Leases of lessee

A lease conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised right-of-use asset is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. An interest expense is recognised on the lease liability (included in finance costs). For short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard, the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

Leases of lessor

For a lessor each of lease is classified as either an operating lease or a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

There were no business combinations during the reporting period.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Carrying amounts of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting period for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting period, non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets

- (i) Financial asset classified as measured at amortised cost:

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

- (ii) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"):

There were no financial assets classified in this category at end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial assets (continued)

- (iii) Financial asset that is an equity investment measured at FVTOCI:

There were no financial assets classified in this category at end of the reporting period.

- (iv) Financial asset classified as measured at FVTPL:

There were no financial assets classified in this category at end of the reporting period.

Classification and measurement of financial liabilities

Financial liabilities are classified as at FVTPL in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting period and in the event the fair values are disclosed in the relevant notes to the financial statements.

2. Significant accounting policies and other explanatory information (continued)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting period they occur.

Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Assets classified as held for sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by the financial reporting standard on non-current assets held for sale and discontinued operations in certain circumstances. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

In addition, the results of discontinued operations are presented separately in profit or loss. A discontinued operation is a component of the business that represents a separate major line of business or geographical area of operations that has been sold, or classified as held for sale or has been abandoned. They are shown separately in profit or loss and comparative figures are restated to reclassify them from continuing to discontinued operations.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting period are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

2. Significant accounting policies and other explanatory information (continued)

2C. Critical judgements, assumptions and estimation uncertainties (continued)

Classification and measurement of disposal group held for sale

As a result of proposed disposal of subsidiaries disclosed in Note 14 of the financial statements, the Group reclassified the assets and liabilities pertaining to those subsidiaries to held for sale and their results as discontinued operations in accordance with SFRS(I) 5 Non-Current Assets Held For Sale And Discontinued Operations. In distinguishing the results, assets and liabilities between continuing operations and discontinued operations, judgment had to be applied.

The Group on date of classification also re-measured the carrying amounts of the disposal group classified as held-for-sale to its fair value less costs to sell based on the consideration for the proposed disposal of S\$ 18,000,000 (or equivalent to RMB 86,442,000) and made an impairment loss of RMB 51,942,000 accordingly. The carrying amount of the disposal group is disclosed in Note 14 to the consolidated financial statements.

Impairment assessment of trade receivables

Trade receivables are subject to the expected credit loss ("ECL") model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting period but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period. The carrying amount of trade receivables classified under "Assets of disposal group classified as held-for-sale" at end of the reporting period is RMB 12,901,000.

Net realisable value of inventories

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting period and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting period. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories classified under "Assets of disposal group classified as held-for-sale" at the end of the reporting period is RMB 36,732,000.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Wee Henry, a controlling shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

3. Related party relationships and transactions (continued)

3A. Members of a group

Name	Relationship	Country of incorporation
Triple Vision Pte. Ltd.	Immediate and ultimate parent company	Singapore

Related companies in these financial statements include the members of the above group of companies.

3B. Related party transactions

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

Significant related party transactions

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Sales of goods received/receivables from related parties	7,469	—
Repair and maintenance paid/payable to related parties	(30)	—
Security services paid/payable to related parties	(7,517)	(6,200)
Advisory fees paid to ultimate controlling party	(258)	(411)
Estate management fees paid/payable to related parties	(105)	(88)

Related parties refer to companies in which a director or his immediate family has significant or controlling interest.

As disclosed in Note 14 of the financial statements, the Company has entered into a conditional Sales and Purchase Agreement with Immediate and ultimate parent company for the disposal of 100% equity interest in its subsidiary, Shandong Yinguang Technology Co., Ltd for a consideration of S\$ 18,000,000. The disposal is expected to complete within next 12 months and is subject to approval from shareholders during next general meeting.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

3. Related party relationships and transactions (continued)

3C. Key management compensation

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Salaries and other short-term employee benefits	4,019	4,257

Included in the above amounts are following items:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Consulting fees to director of the Company	444	366
Remuneration of directors of the Company	889	732
Fees to directors of the Company	466	944

Further information about the remuneration of individual directors is provided in the report on corporate governance.

The above amounts for key management compensation are for all the directors and other key management personnel, who having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

3D. Other receivables from and other payables to related parties

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
At beginning of the period	21,362	20,065
Amounts paid in and settlement of liabilities on behalf of the Group	133	—
Advances from related parties	18,000	—
Unwinding of discounts relating to related party's loan	1,589	1,297
Reclassified to disposal group held-for-sale (Note 14)	(41,084)	—
At end of the period (Note 25)	—	21,362

Other related parties refer to companies in which a director or his immediate family has significant or controlling interest.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

3. Related party relationships and transactions (continued)

3D. Other receivables from and other payables to related parties (continued)

	Company	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Other receivables - subsidiaries</u>		
At beginning of the period	1,453	4,738
Declaration of dividends	6,000	5,000
Dividend received	(7,453)	(8,285)
At end of the period (Note 19)	—	1,453

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS(I) 8 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

For management purposes the Group is organised into three major operating segments: (i) explosives devices, (ii) industrial fuse and initiating explosives devices and (iii) industrial detonators. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (i) The explosives devices segment is a manufacturer of boosters that are used to enhance the power of the explosions and for oil and gas explorations.
- (ii) The industrial fuse and initiating explosives devices segment is a manufacturer of detonating cords and non-electric tubes.
- (iii) The industrial detonators segment is a manufacturer of non-electric detonators which are used in methane-free and mine-dust-free explosion projects, detonation projects in the mining industry, the excavation of alleys and tunnels, controlled explosions and underwater demolitions.

Any item that does not fall within above segments is grouped under unallocated.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

4. Financial information by operating segments (continued)

4A. Information about reportable segment profit or loss, assets and liabilities (continued)

As disclosed in Note 14 to the consolidated financial statements, the Company has committed to dispose Shandong Yinguang Technology Co., Ltd. and its subsidiaries, which comprise of operating segments of explosive devices segment, industrial fuse and initiating explosives devices segment and industrial detonators segment. Therefore these operating segments are reclassified as discontinued operations in current reporting period and the corresponding period have also been re-presented in accordance with SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations.

Inter-segment sales are measured on the basis that Group actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, amortisation, interests and income taxes (called "Recurring EBITDA") and (2) operating result before interests and income taxes and other unallocated items (called "ORBIT").

4B. Profit or loss from continuing operations and reconciliations

	Discontinued operations					Continuing operations	
	Explosives devices	Industrial fuse and initiating explosives devices	Industrial detonators	Unallocated	Total discontinued operation	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30.06.2021							
Revenue by Segment	78,145	25,193	41,951	221	145,510	—	145,510
Total revenue	78,145	25,193	41,951	221	145,510	—	145,510
Recurring EBITDA	28,158	5,764	7,576	218	41,716	—	41,716
Depreciation	(5,418)	—	—	(4,784)	(10,202)	—	(10,202)
Impairment allowance on property, plant and equipment	(46,564)	(938)	(707)	(3,733)	(51,942)	—	(51,942)
ORBIT	(23,824)	4,826	6,869	(8,299)	(20,428)	—	(20,428)
Interest income				298	298	—	298
Finance costs				(5,935)	(5,935)	(21)	(5,956)
Unallocated corporate expenses				(39,159)	(39,159)	(7,333)	(46,492)
Loss before tax					(65,224)	(7,354)	(72,578)
Income tax benefit/(expenses)				2,125	2,125	(300)	1,825
Loss from continuing operations					(63,099)	(7,654)	(70,753)

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

4. Financial information by operating segments (continued)

4B. Profit or loss from continuing operations and reconciliations (continued)

	Discontinued operations					Continuing operations	
	Explosives devices	Industrial fuse and initiating explosives devices	Industrial detonators	Unallocated	Total discontinued operation	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>31.03.2020</u>							
Revenue by Segment	51,673	18,822	44,427	4	114,926	—	114,926
Total revenue	51,673	18,822	44,427	4	114,926	—	114,926
Recurring EBITDA	19,316	4,697	7,905	2	31,920	—	31,920
Depreciation	(3,708)	—	—	(4,677)	(8,385)	—	(8,385)
Impairment allowance on property, plant and equipment	—	—	(1,644)	—	(1,644)	—	(1,644)
ORBIT	15,608	4,697	6,261	(4,675)	21,891	—	21,891
Interest income					275	—	275
Finance costs				(5,375)	(5,375)	(29)	(5,404)
Unallocated corporate expenses				(29,505)	(29,505)	(8,124)	(37,629)
Loss before tax					(12,714)	(8,153)	(20,867)
Income tax expense					(16,206)	(250)	(16,456)
Loss from continuing operations					(28,920)	(8,403)	(37,323)

4C. Assets and reconciliations

	Explosives devices	Industrial fuse and initiating explosives devices	Industrial detonators	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>30.06.2021</u>					
Assets of disposal group classified as held-for-sale	37,994	6,370	6,736	211,237	262,337
Right-of-use assets	—	—	—	181	181
Trade and other receivables	—	—	—	939	939
Other assets	—	—	—	120	120
Cash and cash equivalents	—	—	—	681	681
Total group assets	37,994	6,370	6,736	213,158	264,258

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

4. Financial information by operating segments (continued)

4C. Assets and reconciliations

	Explosives devices	Industrial fuse and initiating explosives devices	Industrial detonators	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>31.03.2020</u>					
Total assets for reportable segments	76,736	3,282	7,305	—	87,323
Unallocated:					
Property, plant and equipment	—	—	—	31,088	31,088
Right-of-use assets	—	—	—	60,281	60,281
Inventories	—	—	—	12,162	12,162
Trade and other receivables	—	—	—	24,273	24,273
Other assets	—	—	—	19,896	19,896
Cash and cash equivalents	—	—	—	76,486	76,486
Total group assets	76,736	3,282	7,305	224,186	311,509

4D. Liabilities and reconciliations

	Explosives devices	Industrial fuse and initiating explosives devices	Industrial detonators	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>30.06.2021</u>					
Liabilities directly associated with disposal group classified as held-for-sale	2,965	2,515	5,616	164,799	175,895
Trade and other payables	—	—	—	2,464	2,464
Loan from a shareholder	—	—	—	1,441	1,441
Lease liabilities	—	—	—	193	193
Total group liabilities	2,965	2,515	5,616	168,897	179,993
<u>31.03.2020</u>					
Total liabilities for reportable segments	2,255	1,846	4,266	—	8,367
Unallocated:					
Deferred tax liabilities	—	—	—	2,625	2,625
Income tax payable	—	—	—	75,721	75,721
Trade and other payables	—	—	—	11,438	11,438
Other liabilities	—	—	—	58,000	58,000
Other financial liabilities	—	—	—	458	458
Total group liabilities	2,255	1,846	4,266	148,242	156,609

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

4. Financial information by operating segments (continued)

4E. Other material items and reconciliations

	Discontinued operations					Continuing operations	
	Explosives devices	Industrial fuse and initiating explosives devices	Industrial detonators	Unallocated	Total discontinued operation	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other non-cash expenses other than depreciation / amortisation:							
30.06.2021	(46,564)	(938)	(707)	(5,865)	(54,074)	—	(54,074)
31.03.2020	—	—	(1,644)	3,015	1,371	—	1,371
Expenditures for non-current assets:							
30.06.2021	7,528	4	9	901	8,442	—	8,442
31.03.2020	4,852	20	1,645	362	6,879	—	6,879

4F. Geographical information

The following table provides an analysis of the Group revenue by geographical market irrespective of the origin of the goods and services and non-current assets by geographical market:-

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Revenue of discontinued operations		
Within PRC	89,488	79,140
Outside PRC:		
Sales through export distributors	11,349	3,399
Australia	39,193	30,652
Others (*)	5,480	1,735
Subtotal	56,022	35,786
	145,510	114,926
Non-current assets		
Within PRC	—	160,976
Singapore	181	444
	181	161,420

(*) Others include Kyrgyzstan, Mongolia, Indonesia

Revenues are attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

4. Financial information by operating segments (continued)

4G. Information about major customers

Revenues from transactions with a single external customer amount to 10 per cent or more of the Group's revenue are as follows:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Explosives devices segment</u>		
Top 1 customer	25,428	16,672

There are no customer with revenue transactions of over 10% of the Group's revenue in Industrial fuse and initiating explosives devices and industrial detonators segments.

5. Revenue

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Discontinued operations</u>		
Sales of goods	145,510	114,926

Revenue from sales of goods is recognised at point in time. All contracts are less than 12 months. The customers mainly engaged in mining, energy exploration, hydroelectric and infrastructure construction industries in the People's Republic of China ("PRC") and Australia.

This is consistent with the revenue information that is disclosed in Note 4.

6. Interest income

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Discontinued operations</u>		
Interest income from banks	298	275

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

7. Other gains

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Discontinued operations</u>		
Reversal of allowance for impairment on trade and other receivables	1,939	6,660
Foreign exchange gains	—	343
Gain on disposal of assets held for sales	—	631
Gain on disposal of property, plant and equipment	331	33
Government grants	1,108	211
Reversal of inventories written down	—	139
Write back of payables	101	—
	<u>3,479</u>	<u>8,017</u>

8. Finance costs

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Continuing operations</u>		
Interest on lease liability	(21)	(29)
	<u>(21)</u>	<u>(29)</u>
<u>Discontinued operations</u>		
Loan interest	(4,346)	(4,078)
Unwinding of discounts relating to related party's loan (Note 25A)	(1,589)	(1,297)
	<u>(5,935)</u>	<u>(5,375)</u>
	<u>(5,956)</u>	<u>(5,404)</u>

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

9. Other losses

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Continuing operations</u>		
Foreign exchange losses	43	3
	43	3
<u>Discontinued operations</u>		
Allowance for impairment on trade and other receivables	3,278	4,207
Foreign exchange losses	1,057	—
Impairment allowance on property, plant and equipment	51,942	1,644
Inventories written-off	429	102
Inventories written down	688	—
Property, plant and equipment written-off	6	—
	57,400	5,953
	57,443	5,956

10. Employee benefits expense

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Employee benefits expense	38,068	29,393
Contributions to defined contribution plans	6,739	9,810
Total employee benefits expense	44,807	39,203

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

10. Employee benefits expense

The employee benefit expense is charged as follows:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Continuing operations</u>		
Administrative expenses	3,753	4,981
	<u>3,753</u>	<u>4,981</u>
<u>Discontinued operations</u>		
Cost of sales	29,576	24,683
Distribution costs	3,585	2,864
Administrative expenses	7,893	6,675
	<u>41,054</u>	<u>34,222</u>
	<u>44,807</u>	<u>39,203</u>

11. Items in the profit or loss

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Continuing operations</u>		
Audit fee to auditors of the Company	476	407
Non-audit fees paid to the auditors of the Company	70	72
<u>Discontinued operations</u>		
Audit fee to other auditors	120	120

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

12. Income tax

12A. Components of income tax recognised in profit or loss

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Current tax</u>		
Current tax expense	300	250
	<u>300</u>	<u>250</u>

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (31.03.2020: 17.0%) to loss before tax as a result of the following differences:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Loss before tax from continuing operations	(7,354)	(8,153)
Income tax at the above rate	(1,250)	(1,386)
Expenses not deductible for tax purposes	1,250	1,386
Withholding tax on foreign dividend income	300	250
	<u>300</u>	<u>250</u>

The following table illustrates the detail of the tax charged to profit or loss on discontinued operations:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Tax charge on discontinued operations (Note 14):		
<u>Current tax</u>		
Current tax expense	—	—
<u>Deferred tax</u>		
Deferred tax expense	—	16,206
Over adjustments in respect of prior periods	(2,125)	—
	<u>(2,125)</u>	<u>16,206</u>

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

12. Income tax (continued)

12A. Components of income tax recognised in profit or loss (continued)

The income tax in profit or loss on discontinued operations varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (31.03.2020: 17.0%) to loss before tax as a result of the following differences:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Loss before tax from discontinued operations	(65,224)	(12,714)
Income tax at the above rate	(11,088)	(2,161)
Expenses not deductible for tax purposes	15	444
Over adjustments of deferred tax in respect of prior periods	(2,125)	—
Deferred tax assets not recognised	16,291	18,941
Effect of different tax rate in foreign countries	(5,218)	(1,018)
	(2,125)	16,206

The prevailing statutory income tax rate in the People's Republic of China ("PRC") is 25%.

There are no income tax consequences of dividends to owners of the Company.

12B. Deferred tax expense recognised in profit or loss

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Discontinued operations</u>		
Allowance for impairment of trade and other receivables	(334)	613
Allowance for impairment of inventories	(172)	35
Impairment loss on property, plant and equipment	(12,986)	(411)
Accrual for safety expenses	(84)	10
Tax losses carryforwards	(5,701)	(3,432)
Unrecognised deferred tax assets	19,277	18,941
Deferred tax relating to unremitted profits from foreign subsidiaries	(2,125)	450
	(2,125)	16,206

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

12. Income tax (continued)

12C. Deferred tax balance in the statement of financial position

Deferred tax balances associated to the Proposed Disposal Group as disclosed in Note 14 are as follows:

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
<u>Deferred tax assets</u>		
Allowance for impairment of trade and other receivables	4,106	3,772
Allowance for impairment of inventories	172	–
Impairment loss on property, plant and equipment	43,152	30,166
Accrual for safety expenses	125	41
Tax loss carryforwards	26,691	20,990
Unrecognised deferred tax assets	(74,246)	(54,969)
	–	–
<u>Deferred tax liabilities</u>		
Deferred tax relating to unremitted profits from foreign subsidiaries	(500)	(2,625)
	(500)	(2,625)

For the PRC companies, the realisation of the future income tax benefits from tax loss carryforwards is available for a period of 5 years except for companies that was categorised as high-tech enterprises, the tax loss carryforwards is available for a period of 10 years, subject to the conditions impose by law. The expiry dates of tax losses carryforwards are as follows:

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
2026	2,944	2,944
2027	36,914	36,914
2028	10,567	10,567
2029	19,807	19,807
2030	13,729	13,729
2031	22,804	–
	106,765	83,961

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

13. Loss per share

The following table illustrates the numerators and denominators used to calculate basic and diluted loss per share of no par value:

		Group	
		01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
		RMB'000	RMB'000
A.	Numerators: Loss attributable to equity holders of the Company:		
	Continuing operations	(7,654)	(8,403)
	Discontinued operations	(63,099)	(28,920)
		(70,753)	(37,323)
		30.06.2021 No: '000	31.03.2020 No: '000
B.	Denominators: Weighted average number of ordinary shares		
	Basic and diluted	46,800	46,800

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting period.

The basic and diluted amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting period.

The basic and diluted loss per share from continuing operations and discontinued operations are calculated by dividing the net loss from continuing operations and discontinued operations, attributable to owners of the Company, respectively, by the weighted average number of ordinary shares for basic earnings per share computation.

There is no dilution of loss per share as there are no shares under options. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

14. Discontinued operations and disposal group classified as held-for-sale

On 19 March 2021, the Company entered into a conditional Sales and Purchase Agreement ("SPA") with Triple Vision Pte Ltd, the immediate and ultimate parent company for the disposal of 100% equity interest in Shandong Yinguang Technology Co., Ltd and its subsidiaries ("Disposal Group") for a consideration of S\$18,000,000. The disposal is expected to complete within next 12 months and is subject to approval from shareholders during an Extraordinary General Meeting to be held on 14 October 2021.

As at 30 June 2021, the assets and liabilities relating to disposal group are classified as disposal group held-for-sale and are presented in the statements of financial position as "Assets of disposal group held-for-sale" and "Liabilities directly associated with disposal group held-for-sale". The results of operations of disposal group are presented separately in the consolidated statement of profit or loss and other comprehensive income as "Loss from discontinued operations, net of tax".

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

14. Discontinued operations and disposal group classified as held-for-sale (continued)

Accordingly, the comparative consolidated statement of profit or loss and other comprehensive income and consolidated statements of cash flows have been re-presented to show the held-for-sale operation separately from continuing operations.

The results of the disposal group for the reporting period are as follows:

	Group	
	01.04.2020	01.04.2019
	to	to
	30.06.2021	31.03.2020
	RMB'000	RMB'000
Revenue (Note 5)	145,510	114,926
Cost of sales	(100,361)	(81,864)
Interest income (Note 6)	298	275
Other gains (Note 7)	3,479	8,017
Distribution costs	(22,682)	(15,886)
Administrative expenses	(28,133)	(26,854)
Finance costs (Note 8)	(5,935)	(5,375)
Other losses (Note 9)	(57,400)	(5,953)
Loss before tax	(65,224)	(12,714)
Income tax benefits / (expenses)	2,125	(16,206)
Loss from discontinued operation, net of tax	(63,099)	(28,920)

The assets and liabilities of the disposal group classified as held-for-sale as at 30 June 2021 are as follows:

	Group	Company
	RMB'000	RMB'000
<u>Assets</u>		
Property, plant and equipment	49,552	—
Right-of-use assets	57,911	—
Investment in subsidiaries	—	86,441
Inventories	36,732	—
Trade receivables	12,901	—
Other receivables	1,341	—
Other assets	20,485	—
Cash and cash equivalents	83,415	—
Assets of disposal group classified as held-for-sale	262,337	86,441
<u>Liabilities</u>		
Deferred tax liabilities	(500)	—
Trade payables and accruals	(60,068)	—
Other payables – External parties	(4,349)	—
Other payables – Other related parties	(18,690)	—
Other payables – Related party's loan	(22,394)	—
Other financial liabilities	(57,500)	—
Other liabilities	(12,394)	—
Liabilities directly associated with disposal group held-for-sale	(175,895)	—
Net assets directly associated with disposal group classified as held-for-sale	86,442	86,441

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

14. Discontinued operations and disposal group classified as held-for-sale (continued)

The cash flows of the disposal group which have been included in the consolidated financial statements are as follows:

	Group	
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
Net cash flows from operating activities	26,165	5,634
Net cash flows used in investing activities	(7,754)	(3,059)
Net cash flows used in financing activities	(4,867)	(4,107)
Total cash inflows / (outflows)	13,544	(1,532)

15. Property, plant and equipment

Group	Leasehold properties RMB'000	Plant and equipment RMB'000	Construction- in-progress RMB'000	Total RMB'000
<u>Cost</u>				
At 1 April 2019	153,913	184,318	23,340	361,571
Additions	2,307	67	4,505	6,879
At 31 March 2020	156,220	184,385	27,845	368,450
Transfer	—	19,311	(19,311)	—
Additions	—	1,318	7,124	8,442
Disposal	—	(1,284)	—	(1,284)
Write-off	—	(703)	—	(703)
Reclassified to disposal group held-for-sale (Note 14)	(156,220)	(203,027)	(15,658)	(374,905)
At 30 June 2021	—	—	—	—
<u>Accumulated depreciation and impairment</u>				
At 1 April 2019	116,821	143,070	—	259,891
Depreciation for the period	1,905	3,871	—	5,776
Impairment allowance for the period	1,510	134	—	1,644
At 31 March 2020	120,236	147,075	—	267,311
Depreciation for the period	2,474	5,548	—	8,022
Disposal	—	(1,225)	—	(1,225)
Write-off	—	(697)	—	(697)
Impairment allowance for the period	8,255	43,687	—	51,942
Reclassified to disposal group held-for-sale (Note 14)	(130,965)	(194,388)	—	(325,353)
At 30 June 2021	—	—	—	—
<u>Carrying value</u>				
At 1 April 2019	37,092	41,248	23,340	101,680
At 31 March 2020	35,984	37,310	27,845	101,139
At 30 June 2021	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

15. Property, plant and equipment (continued)

Company	Plant and equipment RMB'000
<u>Cost</u>	
At 1 April 2019	224
Foreign exchange adjustments	1
At 31 March 2020	225
Foreign exchange adjustments	(1)
At 30 June 2021	224
<u>Accumulated depreciation</u>	
At 1 April 2019	224
Foreign exchange adjustments	1
At 31 March 2020	225
Foreign exchange adjustments	(1)
At 30 June 2021	224
<u>Carrying value</u>	
At 1 April 2019	—
At 31 March 2020	—
At 30 June 2021	—

- i. Certain leasehold properties of the Group with carrying value of RMB Nil (31.03.2020: RMB 8.9 million) are pledged to the bank for credit facilities (Note 26B). These leasehold properties have been reclassified to “Assets of disposal group classified as held-for-sale” as at 30 June 2021.
- ii. Construction-in-progress represents warehouse and production facilities under construction.
- iii. The depreciation expense is charged as follows:

	Group	
	01.04.2020 to 30.06.2021 RMB'000	01.04.2019 to 31.03.2020 RMB'000
<u>Discontinued operations</u>		
Cost of sales	3,998	2,610
Administrative expenses	2,186	1,706
Charge against provision for safety expenses	1,838	1,460
	<u>8,022</u>	<u>5,776</u>

Pursuant to the Sales and Purchase Agreement as stated in Note 14, property, plant and equipment of RMB 49,552,000 attributable to the disposal group have been reclassified to “Assets of disposal group classified as held-for-sale”.

The Group has based on the consideration of S\$ 18,000,000 for the proposed disposal, made further impairment allowance of RMB 8,255,000 and RMB 43,687,000 to leasehold properties and plant and equipment respectively.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

16. Right-of-use assets

The right-of-use assets in the statements of financial position are as follows:

Group	Land use rights RMB'000	Office space RMB'000	Total RMB'000
<u>Cost</u>			
At 1 April 2019	79,701	647	80,348
Foreign exchange adjustments	–	2	2
At 31 March 2020	79,701	649	80,350
Foreign exchange adjustments	–	(23)	(23)
Reclassified to disposal group held-for-sale (Note 14)	(79,701)	–	(79,701)
At 30 June 2021	–	626	626
<u>Accumulated depreciation</u>			
At 1 April 2019	17,460	–	17,460
Depreciation for the period	2,404	205	2,609
Foreign exchange adjustments	–	*	*
At 31 March 2020	19,864	205	20,069
Depreciation for the period	1,926	254	2,180
Foreign exchange adjustments	–	(14)	(14)
Reclassified to disposal group held-for-sale (Note 14)	(21,790)	–	(21,790)
At 30 June 2021	–	445	445
<u>Carrying value</u>			
At 1 April 2019	62,241	647	62,888
At 31 March 2020	59,837	444	60,281
At 30 June 2021	–	181	181

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

16. Right-of-use assets (continued)

Company	Office space RMB'000
<u>Cost</u>	
At 1 April 2019	647
Foreign exchange adjustments	2
At 31 March 2020	649
Foreign exchange adjustments	(23)
At 30 June 2021	626
<u>Accumulated depreciation</u>	
At 1 April 2019	—
Depreciation for the period	205
Foreign exchange adjustments	*
At 31 March 2020	205
Depreciation for the period	254
Foreign exchange adjustments	(14)
At 30 June 2021	445
<u>Carrying value</u>	
At 1 April 2019	647
At 31 March 2020	444
At 30 June 2021	181

* Less than RMB1,000

The land use rights are amortised over the period of the lease term on the straight line method and the details of these land use rights are as follows:

Address	Land area (Sq m)	Date of grant	Lease expiry date
Taoyuan Village, Feicheng Town, Fei County, Linyi City*	49,511	29 January 2010	16 March 2060
Tulonggou Village, Feicheng Town, Fei County, Linyi City*	40,822	23 April 2010	16 December 2059
Changsheng Village, Feicheng Town, Fei County, Linyi City*	6,023	23 March 2012	19 November 2048
Changsheng Village, Feicheng Town, Fei County, Linyi City*	23,957	23 March 2012	19 December 2030
Changsheng Village, Feicheng Town, Fei County, Linyi City*	26,358	23 March 2012	16 March 2048
Changsheng Village, Feicheng Town, Fei County, Linyi City*	41,624	23 March 2012	7 November 2048
Kele Village, Zhutian Town, Fei County, Linyi City*	30,933	23 March 2012	15 December 2030
Kele Village, Zhutian Town, Fei County, Linyi City*	13,262	23 March 2012	25 January 2055
Xixinan Village, Feicheng Town, Fei County, Linyi City	79,136	5 June 2012	25 February 2037
Tulonggou Village, Feicheng Town, Fei County, Linyi City	58,508	5 June 2012	25 February 2037

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

16. Right-of-use assets (continued)

The land use rights are amortised over the period of the lease term on the straight line method and the details of these land use rights are as follows: (continued)

Address	Land area (Sq m)	Date of grant	Lease expiry date
Xixinan Village, Feicheng Town, Fei County, Linyi City	74,034	5 June 2012	25 February 2037
Tulonggou Village, Feicheng Town, Fei County, Linyi City	70,220	5 June 2012	25 February 2037
Changsheng Village, Feicheng Town, Fei County, Linyi City	14,981	5 June 2012	25 February 2037
Changsheng Village, Feicheng Town, Fei County, Linyi City*	10,844	15 July 2014	8 May 2064
LeHe, Zhutian Town, Fei County, Linyi City*	27,306	15 July 2014	8 May 2064
Beitian Jinwangshu, Hetouwan Village, Dasai Village, Mazhuang Town, Fei County, Linyi City	19,966	10 October 2019	9 October 2067
Hetouwan Village, Dasai Village Mazhuang Town, Fei County, Linyi City	18,295	10 October 2019	9 October 2067

* These land use rights under disposal group classified as held-for-sale assets with carrying value of RMB 25.4 million (31.03.2020: RMB 26.2 million) were pledged for banking facilities (see Note 26).

The amortisation expense is charged to administrative expenses.

For lease of office space, there are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Typically the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The lease contract is for a period of 3 years with an extension option. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Pursuant to the Sales and Purchase Agreement as stated in Note 14, land use rights of RMB 57,911,000 attributable to the disposal group have been reclassified to "Assets of disposal group classified as held-for-sale".

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Period from 1 April 2020 to 30 June 2021

17. Investment in subsidiaries

	Company	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
<u>Carrying value comprising</u>		
Unquoted equity shares at cost	—	113,143
Foreign currency translation difference	—	(906)
	<u>—</u>	<u>112,237</u>
<u>Movement in carrying value</u>		
At beginning of the period	112,237	111,608
Foreign exchange adjustments	(3,984)	629
Impairment allowance for the period	(21,812)	—
Reclassified to disposal group held-for-sale	(86,441)	—
At end of the period	<u>—</u>	<u>112,237</u>
Analysis of above amount denominated in non functional currency:		
Chinese RMB	<u>—</u>	<u>112,237</u>

Pursuant to the Sales and Purchase Agreement as stated in Note 14, the Company has reclassified the carrying value of investment in subsidiaries as “Assets held-for-sale” and an impairment allowance of RMB 21,812,000 was made to write down to fair value less costs of disposal based on the offer price of S\$ 18,000,000 (or equivalent RMB 86,442,000).

The subsidiaries held by the Group are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost of the investment		Percentage of equity held by the Group	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	%	%
<u>Held by the Company</u>				
Shandong Yinguang Technology Co., Ltd. ^(a) (山东银光科技有限公司) (“YG Tech”) People's Republic of China Production and sale of commercial explosive products	<u>113,143</u>	<u>113,143</u>	<u>100</u>	<u>100</u>
<u>Held by YG Tech</u>				
Shandong Jiehua Wenlv Zhiye Co., Ltd. ^(a) (山东杰化文旅置业有限公司) People's Republic of China Properties holding and management	<u>10,000</u>	<u>10,000</u>	<u>100</u>	<u>100</u>
Shandong Yinguang Safety Advisory Co., Ltd ^(b) (山东银光安全咨询有限公司) People's Republic of China Provision of safety advisory services	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(a) For the purpose of preparing consolidated financial statements, these financial statements were audited by Zhongxinghua Certified Public Accountant LLP, a member of the Chinese Institute of Certified Public Accountants and an approved firm by the China Securities Regulatory Commission. As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited the audit committee and the board of directors of the Company have satisfied themselves that the appointment of different auditors for its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

(b) Not audited as the subsidiary is not material to the Group.

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Period from 1 April 2020 to 30 June 2021

18. Inventories

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
<u>At cost</u>		
Raw materials	—	16,360
Work-in-progress	—	4,833
Finished goods	—	8,241
	—	29,434

There are no inventories pledged as security for liabilities.

Pursuant to the Sales and Purchase Agreement as stated in Note 14, inventories of RMB 36,732,000 attributable to the disposal group have been reclassified to “Assets of disposal group classified as held-for-sale”.

19. Trade and other receivables

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Trade receivables</u>				
Outside parties	—	36,296	—	—
Less collective impairment allowance	—	(3,245)	—	—
Less individual impairment allowance	—	(10,453)	—	—
Related parties	—	163	—	—
	—	22,761	—	—
<u>Other receivables</u>				
Outside parties	939	2,900	939	209
Less allowance for impairment	—	(1,388)	—	—
Subsidiary (Note 3)	—	—	—	1,453
	939	1,512	939	1,662
	939	24,273	939	1,662

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Period from 1 April 2020 to 30 June 2021

19. Trade and other receivables (continued)

	01.04.2020 to 30.06.2021 RMB'000	01.04.2019 to 31.03.2020 RMB'000
<u>Movement in the above allowance – trade receivables</u>		
At beginning of the period	(13,698)	(16,529)
Bad debts written-off	3	–
Collective impairment allowance reverse from/(charge to) profit or loss included in other gains and other losses	303	3,870
Individual impairment allowance charge to profit or loss included in other losses	(3,278)	(3,829)
Doubtful debts recovered	1,258	2,790
Reclassified to disposal group held-for-sale (Note 14)	15,412	–
At end of the period	–	(13,698)
<u>Movement in the above allowance – other receivables</u>		
At beginning of the period	(1,388)	(1,010)
Charge to profit or loss included in other losses	378	(378)
Reclassified to disposal group held-for-sale (Note 14)	1,010	–
At end of the period	–	(1,388)

Pursuant to the Sales and Purchase Agreement as stated in Note 14, trade receivables and other receivables of RMB 12,901,000 and RMB 1,341,000 respectively, attributable to the disposal group have been reclassified to “Assets of disposal group classified as held-for-sale”.

19A. Trade receivables

Trade receivables are subject to the expected credit loss (“ECL”) model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Trade receivables are written-off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

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Period from 1 April 2020 to 30 June 2021

19. Trade and other receivables (continued)

19A. Trade receivables (continued)

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined as follows:

Group	Gross amount *		Weighted ECL rate		Loss allowance	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	%	%	RMB'000	RMB'000
Current	7,973	19,064	4.25	2.01	339	383
Past due:						
1 – 90 days	3,358	3,670	30.05	28.61	1,009	1,050
91 – 180 days	2,476	2,167	50.36	42.78	1,247	927
181 days – 270 days	371	934	93.53	76.45	347	714
Over 270 days	–	171	–	100.00	–	171
	<u>14,178</u>	<u>26,006</u>			<u>2,942</u>	<u>3,245</u>

* Exclude receivables that have been individually credit impaired.

At each subsequent reporting date, an evaluation is made as to whether there is significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at reporting date (based on modified cash flows). Adjustment to loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to customers is about 90 days (31.03.2020: 90 days). However, certain customers may take a longer period to settle the amounts.

Concentration of trade receivable customers at end of reporting period is as follows:

Group	30.06.2021	31.03.2020
	RMB'000	RMB'000
Top 1 customer	2,453	8,510
Top 2 customers	3,968	10,633
Top 3 customers	<u>5,474</u>	<u>12,231</u>

19B. Other receivables

Other receivables at amortised cost set out above are subject to the ECL model under the financial reporting standard on financial instruments. Other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period, a loss allowance is recognised at an amount equal to 12-month ECL because there has not been a significant increase in credit risk since initial recognition.

At each subsequent reporting date, an evaluation is made as to whether there is significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at reporting date (based on modified cash flows). Adjustment to loss allowance is made for any increase or decrease in credit risk. As there is a significant increase in credit risk, a further loss allowance of RMB Nil (31.03.2020: RMB 378,000) is recognised based on lifetime expected credit risk losses of the receivables.

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Period from 1 April 2020 to 30 June 2021

20. Other assets

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits to secure services	64	66	64	66
Prepayments	58	703	58	140
Advances to suppliers	—	17,551	—	—
Advances to staffs	—	1,576	—	—
	120	19,896	120	206

Pursuant to the Sales and Purchase Agreement as stated in Note 14, other assets of RMB 20,485,000 attributable to the disposal group have been reclassified to "Assets of disposal group classified as held-for-sale".

21. Cash and cash equivalents

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
Not restricted in use	681	76,486	681	615

The interest earning balances are not significant.

21A. Cash and cash equivalents in consolidated statement of cash flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise the following:

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
Cash and bank balances		
- Continuing operations	681	615
- Discontinued operations (Note 14)	83,415	75,871
Cash and cash equivalents	84,096	76,486

Pursuant to the Sales and Purchase Agreement as stated in Note 14, cash and cash equivalents of RMB 83,415,000 attributable to the disposal group have been reclassified to "Assets of disposal group classified as held-for-sale".

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

21. Cash and cash equivalents (continued)

21B. Reconciliation of liabilities arising from financing activities

Group	At beginning of the period	Cash flows		Non-cash changes	At end of the period
	RMB'000	Repayment RMB'000	Drawdown RMB'000	RMB'000	RMB'000
<u>2021</u>					
Bank borrowings (Note 26)	58,000	(78,000)	77,500	—	57,500
Loan from a shareholder	—	—	1,441	—	1,441
Related party loan (Note 25A)	20,805	—	—	1,589 ⁽¹⁾	22,394
Lease liability (Note 24)	458	(255)	—	(10) ⁽²⁾	193
	<u>79,263</u>	<u>(78,255)</u>	<u>78,941</u>	<u>1,579</u>	<u>81,528</u>
<u>2020</u>					
Bank borrowings (Note 26)	58,000	(58,000)	58,000	—	58,000
Related party loan (Note 25A)	19,508	—	—	1,297 ⁽¹⁾	20,805
Lease liability (Note 24)	647	(220)	—	31 ⁽²⁾	458
	<u>78,155</u>	<u>(58,220)</u>	<u>58,000</u>	<u>1,328</u>	<u>79,263</u>

(1) Unwinding of discounts on interest-free loan.

(2) Accretion of interests and foreign exchange adjustments arising from the translation of the Company's financial statements to presentation currency in RMB.

22. Share capital

	Group and Company		
	Number of shares issued	Share capital S\$	Issued share capital RMB Equivalent
<u>Ordinary shares of no par value</u>			
At 1 April 2019, 31 March 2020 and 30 June 2021	<u>46,800,000</u>	<u>23,458,985</u>	<u>116,848,607</u>

The ordinary shares of no par value carry no right to fixed income and are fully paid and with one vote per share. The Company is not subject to any externally imposed capital requirements except the only externally imposed capital requirement is that for the Group to maintain its listing on the Singapore Exchange Securities Trading Limited it has to have share capital of at least a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the period. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the period.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

22. Share capital (continued)

Capital management

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting period. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The Group's borrowings are less than the cash available. The debt-to-adjusted capital ratio therefore does not provide a meaningful indicator of the risk of borrowings.

23. Other reserves

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve	44,117	44,117	—	—
Foreign currency translation reserve	976	858	(3,914)	(48)
Capital reserve	44,000	44,000	—	—
	89,093	88,975	(3,914)	(48)

All reserves classified on the face of the statements of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

Movement of the reserves are presented in the statements of changes in equity.

Statutory reserve

Under the PRC regulations, the subsidiary is required to set up a statutory reserve which represents a non-distributable reserve made at a rate of 10% of net profit after tax. Contribution to this reserve is no longer mandatory when the reserve reaches 50% of the registered share capital. The reserve is to be used in accordance to the circumstances as stipulated in the relevant regulations.

Foreign currency translation reserve

The foreign currency translation reserve accumulates all foreign exchange difference arising from the translation of the Company's financial statements to presentation currency in RMB.

Capital reserve

Capital reserve arises from the capitalisation of subsidiary's statutory reserve and retained earnings in prior years.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

24. Lease liabilities

Lease liabilities are presented in the statements of financial position as follows:

	Group and Company	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
Lease liabilities, non-current	—	253
Lease liabilities, current	193	205
	193	458
	01.04.2020 to 30.06.2021	01.04.2019 to 31.03.2020
	RMB'000	RMB'000
<u>Movements of lease liabilities</u>		
At beginning of the period	458	647
Accretion of interest	21	29
Lease payments	(255)	(220)
Foreign exchange adjustments	(31)	2
At end of the period	193	458

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets. The right-of-use assets are disclosed in Note 16.

The incremental borrowing rate applied to lease liabilities recognised was 5.25% per annum.

A summary of the maturity analysis of lease liabilities is disclosed in Note 29E.

Total cash outflows for leases for current reporting period are shown in the statement of cash flows.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

25. Trade and other payables

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Non-current</u>				
<u>Other payables</u>				
Related party's loan (Note 25A)	–	11,560	–	–
Total non-current portion	–	11,560	–	–
<u>Current</u>				
<u>Trade payables</u>				
Outside parties and accrued liabilities	1,642	55,472	1,642	2,111
Related parties	–	4,798	–	–
	1,642	60,270	1,642	2,111
<u>Other payables</u>				
Related party's loan (Note 25A)	–	9,245	–	–
Related parties (Note 3)	–	557	–	–
Outside parties	822	2,456	822	795
	822	12,258	822	795
Total current portion	2,464	72,528	2,464	2,906
Total	2,464	84,088	2,464	2,906

Pursuant to the Sales and Purchase Agreement as stated in Note 14, trade payables and other payables of RMB 60,068,000 and RMB 45,433,000 attributable to the disposal group have been reclassified to "Liabilities directly associated with disposal group classified as held-for-sale".

25A. Related party's loan

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
Movement during the period, at amortised cost		
At beginning of the period	20,805	19,508
Unwinding of discounts	1,589	1,297
Reclassified to disposal group held-for-sale (Note 14)	(22,394)	–
At end of the period (Note 3)	–	20,805

Related party's loan was obtained in prior years to finance the acquisition of leasehold properties. The loan is unsecured, interest-free and repayable in 2021 and 2022. The amount is stated at amortised cost at 6.65% (31.03.2020: 6.65%) per annum based on estimated current lending rate (Level 3). Significant increase or (decrease) in the interest rate in isolation would result in lower or (higher) fair value measurement.

Pursuant to the Sales and Purchase Agreement as stated in Note 14, related party's loan of RMB 22,394,000 attributable to the disposal group have been reclassified to "Liabilities directly associated with disposal group classified as held-for-sale".

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

26. Other financial liabilities

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
Loan from a shareholder (Note 26A)	1,441	—	1,441	—
Bank borrowings (Note 26B)	—	58,000	—	—
	1,441	58,000	1,441	—

26A. Loan from a shareholder

On 23 February 2021, the Company entered into a loan agreement with Triple Vision Pte. Ltd. up to an aggregate amount of S\$ 1,000,000. Any disbursement will be used for the payment of professional fees and expenses of the Company's corporate actions. The loan is unsecured, interest-free and is repayable at the earlier of the date falling (i) on 30 November 2021, or (ii) on the completion of the Proposed Disposal, or (iii) on any other date as may be agreed upon in writing by the Parties.

As at 30 June 2021, the Company had drawn down S\$ 300,000 (or equivalent RMB 1,441,000).

26B. Bank borrowings

Bank borrowings are secured on the leasehold properties and land use rights of a subsidiary with net book value of approximately RMB 25.4 million (31.03.2020: RMB 35.1 million) and bear the following terms:

30.06.2021 (Principal)	Interest rate	Maturity dates	31.03.2020 (Principal)	Interest rate	Maturity dates
RMB'000	%		RMB'000	%	
7,000	4.800	1 July 2021*	5,000	4.350	1 April 2020
7,000	4.800	13 August 2021*	5,000	4.350	5 May 2020
7,000	4.800	13 August 2021*	5,000	4.350	15 May 2020
7,000	4.800	13 October 2021	5,000	4.350	1 June 2020
4,750	4.800	25 January 2022	7,000	4.350	1 July 2020
4,750	4.800	25 February 2022	7,000	4.350	9 August 2020
5,000	4.800	25 March 2022	7,000	4.350	1 September 2020
10,000	4.800	25 May 2022	7,000	4.350	9 October 2020
5,000	4.800	2 June 2022	5,000	4.800	1 February 2021
			5,000	4.800	25 February 2021
57,500			58,000		

* Subsequent to the end of reporting period, these loans have been fully repaid and new loans of RMB 21,000,000 were obtained.

Pursuant to the Sales and Purchase Agreement as stated in Note 14, bank borrowings of RMB 57,500,000 attributable to the disposal group have been reclassified to "Liabilities directly associated with disposal group classified as held-for-sale".

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

27. Other liabilities

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	—	11,049	—	—
Provision for safety expenses (Note 27A)	—	185	—	—
Deferred revenue	—	204	—	204
	—	11,438	—	204

Pursuant to the Sales and Purchase Agreement as stated in Note 14, other liabilities of RMB 12,394,000 attributable to the proposed disposal group have been reclassified to “Liabilities directly associated with disposal group classified as held-for-sale”.

27A. Provision for safety expenses

Provision for safety expenses are made in accordance with the safety regulation of People's Republic of China.

Movement in the provision for safety expenses

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
At beginning of the period	185	205
Provision for the period	2,851	2,274
Utilisation during the period	(2,538)	(2,294)
Reclassified as disposal group held-for-sale	(498)	—
At end of the period	—	185

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

28. Capital commitments

Estimated amounts committed at the end of the reporting period for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
Commitment to acquire Lincotrade Associates Pte. Ltd. ^(Note 1)	120,058	—
Commitments to purchase of property, plant and equipment	11,906	15,313
Commitment to take up shares in Shandong Yinguang Safety Advisory Co., Ltd. through YG Tech	3,000	3,000

Note 1 - On 22 April 2021, the Company entered into a Sale and Purchase Agreement ("SPA") to acquire the entire issued and fully paid-up capital of Lincotrade & Associates Pte. Ltd ("Proposed Acquisition").

Pursuant to the SPA, the aggregate purchase consideration in respect of the Proposed Acquisition is S\$ 25,000,000, to be fully satisfied by the Company at completion of the Proposed Acquisition by the allotment and issuance of an aggregate 113,636,363 new ordinary shares in the issued share capital of the Company, credited as fully paid-up, to the Vendors, at an issue price of S\$ 0.22 per Consideration Share.

Pursuant to the terms of the Agreement, the Company will also allot and issue (i) an aggregate of 5,681,818 new Shares, credited as fully paid-up, at the Issue Price to an unrelated third-party, Prestige Fame Limited, and (ii) up to 454,545 new Shares, credited as fully-paid up, at the Issue Price to the Sponsor as part-payment for the Sponsor's professional fees.

29. Financial instruments: information on financial risks

29A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting period.

	Group		Company	
	30.06.2021	31.03.2020	30.06.2021	31.03.2020
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>				
Financial assets at amortised cost	1,620	100,759	1,620	2,277
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	4,098	142,546	4,098	3,364

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

29. Financial instruments: information on financial risks (continued)

29B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following acceptable market practices.
5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

29C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

29D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting period. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 21 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

29. Financial instruments: information on financial risks (continued)

29E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 180 days (31.03.2020: 180 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The following table analyses the non-derivate financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

Group	Less than 1 year RMB'000	1 – 3 years RMB'000	Total RMB'000
<u>30.06.2021</u>			
Lease liabilities	197	–	197
Other financial liabilities	1,441	–	1,441
Trade and other payables	2,464	–	2,464
	4,102	–	4,102
<u>31.03.2020</u>			
Lease liabilities	223	260	483
Other financial liabilities	58,993	–	58,993
Trade and other payables	73,143	13,150	86,293
	132,359	13,410	145,769
Company	Less than 1 year RMB'000	1 – 3 years RMB'000	Total RMB'000
<u>30.06.2021</u>			
Lease liabilities	197	–	197
Other financial liabilities	1,441	–	1,441
Trade and other payables	2,464	–	2,464
	4,102	–	4,102
<u>31.03.2020</u>			
Lease liabilities	223	260	483
Trade and other payables	2,906	–	2,906
	3,129	260	3,389

The undiscounted amounts on the bank borrowings with fixed interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

29. Financial instruments: information on financial risks (continued)

29F. Interest rate risk

The interest rate risk exposure is from changes in interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rates:

	Group	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
<u>Financial liabilities</u>		
Fixed rates	—	58,000

Sensitivity analysis: The effect on pre-tax loss is not significant.

29G. Foreign currency risks

Analysis of amount denominated in non-functional currency:

	Chinese RMB	
	30.06.2021	31.03.2020
	RMB'000	RMB'000
<u>Financial assets</u>		
Trade and other receivables	—	1,662

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis: The effect on pre-tax loss is not significant.

30. Changes and adoption of financial reporting standards

For the current reporting period new or revised SFRS(I)s were issued by the Singapore Accounting Standards Council. Those applicable to the Group and the Company are listed below.

SFRS (I) No.	Title
SFRS(I) 1-1 and SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business
SFRS(I) 9 and SFRS(I) 7	Amendments to SFRS(I) 9 and SFRS(I) 7: Interest Rate Benchmark Reform
SFRS(I) 16	Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions (Early adopted)
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards
	Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements

Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 April 2020 to 30 June 2021

31. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised SFRS(I)s were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS (I) 1-16	Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
SFRS (I) 1-37	Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
SFRS (I) 3	Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 16	Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Various	Amendments to SFRS(I) 9, SFRS(I) 7, and SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Various	<u>Annual Improvements to SFRS(I)s 2018-2020:</u> Amendment To SFRS(I) 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities Amendment To Illustrative Examples Accompanying SFRS(I) 16 Leases - Lease Incentives	1 January 2022
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023

The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the financial statements in the period of initial application.

32. Comparative figures

The Company changed its reporting year end from 31 March to 30 June. Therefore, the current reporting period is a fifteen-month period from 1 April 2020 to 30 June 2021. As a result, the comparative reporting period ended 31 March 2020 is a 12-month period from 1 April 2019 to 31 March 2020. Accordingly, the comparative amounts presented for the statement of profit or loss and other comprehensive income and statements of cash flows in relation to the fifteen-month period in the current reporting period are not comparable.

STATISTICS OF SHAREHOLDINGS

As at 16 September 2021

Issued and fully paid-up capital:	RMB 116,848,607
No. of shares issued:	46,800,000
No. / % of treasury shares:	Nil
Class of shares:	Ordinary shares
Voting rights:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	128	28.19	87,400	0.19
1,001 - 10,000	265	58.37	1,043,700	2.23
10,001 - 1,000,000	59	13.00	6,117,401	13.07
1,000,001 AND ABOVE	2	0.44	39,551,499	84.51
TOTAL	454	100.00	46,800,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TRIPLE VISION PTE LTD	24,411,499	52.16
2	FORTSMITH INVESTMENTS LIMITED	15,140,000	32.35
3	CITIBANK NOMINEES SINGAPORE PTE LTD	1,000,000	2.14
4	PHILLIP SECURITIES PTE LTD	507,400	1.08
5	TAN KAY CHENG	503,600	1.08
6	SEOW MING LIANG	464,700	0.99
7	FONG SOON YONG	383,900	0.82
8	CHUA SEK HOW	281,400	0.60
9	GOH KIAN SOON (WU JIANSHUN)	279,200	0.60
10	LEOW KIM HOW	272,200	0.58
11	ANG KENG THIONG @ ANG HARRY	223,000	0.48
12	SIM LAI HEE	199,600	0.43
13	RAFFLES NOMINEES (PTE.) LIMITED	173,800	0.37
14	CHEW BOON CHUN	142,200	0.30
15	TAN KIM TUAN	118,000	0.25
16	KOH WEE KIAT KEITH (XU WEIJIE KEITH)	117,600	0.25
17	NOMURA SINGAPORE LIMITED	104,200	0.22
18	KUEK SIAW KIA @ QUEK SHIEW POH	99,800	0.21
19	YEE TECK KOON	86,700	0.19
20	NG BOON GUAT	80,000	0.17
	TOTAL	44,588,799	95.27

As at 16 September 2021

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 16 September 2021.

	Direct Interest	No. of Ordinary Shares		
		%	Indirect Interest	%
Triple Vision Pte. Ltd.	24,411,499	52.16	—	—
Fortsmith Investments Limited	15,140,000	32.35	—	—
Wee Henry ⁽¹⁾	—	—	24,515,699	52.38
Sun Bowen ⁽²⁾	—	—	15,140,000	32.35

Notes:

(1) Mr Wee Henry is deemed to be interested in the shares held by Triple Vision Pte. Ltd. by virtue of Section 7 of the Singapore Companies Act. Mr Wee Henry is also deemed to be interested in the shares held by a nominee, Nomura Singapore Limited.

(2) Mr Sun Bowen is deemed to be interested in the shares held by Fortsmith Investments Limited by virtue of Section 7 of the Singapore Companies Act.8

FREE FLOAT

As at 16 September 2021, approximately 15.27% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company had complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of FABCHEM CHINA LIMITED will be held by way of electronics means on Thursday, 28 October 2021 at 9.30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial period ended 30 June 2021 together with the Directors' Statement and Auditors' Report thereon. **Resolution 1**
2. To approve the payment of Directors' Fees of S\$92,400 for the financial period ended 30 June 2021 (2020: S\$184,800). **Resolution 2**
3. To approve the payment of Directors' Fees of S\$92,400 for the financial year ending 30 June 2022 payable quarterly (2021: S\$92,400). **Resolution 3**
4. To re-elect Mr Sun Bowen who is retiring under Article 107 of the Company's Constitution.
(See Explanatory Note 1) **Resolution 4**
5. To re-elect Mr Wee Phui Gam who is retiring under Article 107 of the Company's Constitution.
(See Explanatory Note 2) **Resolution 5**
6. Contingent upon the passing of Resolutions 5 above and 7 below, shareholders to approve Mr Wee's continued appointment as an Independent Director in accordance with Rule 210(5) (d)(iii) of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") which takes effect from 1 January 2022, and such Resolution shall remain in force until the earlier of the following:
 - (i) Mr Wee's retirement or resignation; or
 - (ii) the conclusion of the third AGM following the passing of this Resolution.
(See Explanatory Note 3)**Resolution 6**
7. Contingent upon the passing of Resolutions 5 and 6 above, shareholders (excluding the Directors and the Chief Executive Officer ("CEO") of the Company, and the respective associates of such Directors and CEO) to approve Mr Wee's continued appointment as an Independent Director in accordance with Rule 210(5) (d)(iii) of the Listing Manual of the SGX-ST which takes effect from 1 January 2022, and such Resolution shall remain in force until the earlier of the following:
 - (i) Mr Wee's retirement or resignation; or
 - (ii) the conclusion of the third AGM following the passing of this Resolution.
(See Explanatory Note 3)**Resolution 7**
8. To re-appoint Messrs RSM Chio Lim LLP, as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**
9. To transact any other ordinary business which may be properly transacted at an AGM.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as an Ordinary Resolution:

10. AUTHORITY TO ALLOT AND ISSUE SHARES

Resolution 9

“THAT pursuant to Section 161 of the Companies Act, Cap. 50 (the “Companies Act”) and Rule 806 of the Listing Manual (“Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit,

PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than twenty percent (20%) of the total number of issued shares excluding treasury shares, and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. For the purpose of Rule 806(2), the total number of issued shares excluding treasury shares is based on the Company’s total number of issued shares excluding treasury shares at the time of passing of this resolution approving the mandate after adjusting for:

- (a) new shares arising from the conversion or exercise of convertible securities;
- (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares.

Any adjustments made in accordance with subparagraphs (a) and (b) above shall only be made in respect of new shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution 9.

(See Explanatory Note 4)

BY ORDER OF THE BOARD

Nor Hafiza Alwi
Company Secretary
13 October 2021, Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note: -

- (1) Ordinary Resolution 4 - Mr Sun Bowen will, upon re-election as a Director of the Company, remain as the Non-Executive Non-Independent Director of the Company and a member of the Audit, Nominating and Remuneration Committees. Detailed information on Mr Sun Bowen can be found in the Annual Report 2021. There are no relationships (including immediate family relationships) between Mr Sun Bowen and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers.
- (2) Ordinary Resolution 5 - Mr Wee Phui Gam will, upon re-election as a Director of the Company, remain as the Acting Chairman and Lead Independent Director of the Company and Chairman of the Audit, Nominating and Remuneration Committees. Mr Wee is considered by the Board of Directors of the Company to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information on Mr Wee can be found in the Annual Report 2021. There are no relationships (including immediate family relationships) between Mr Wee and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.
- (3) Ordinary Resolutions 6 and 7 - Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Mr Wee Phui Gam, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered as an Independent Director from 1 January 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the Directors, the CEO and their respective associates.

As such, the Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) all shareholders and (B) shareholders, excluding the Directors, the CEO and their respective associates prior to 1 January 2022 as required for his continued appointment as an Independent Director. Ordinary Resolutions 6 and 7, if passed, will enable Mr Wee Phui Gam to continue his appointment as an Independent Director pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and Provision 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company following this AGM.

Ordinary Resolution 6 is conditional upon Ordinary Resolution 7 being passed and vice versa. Both Ordinary Resolutions 6 and 7 are also conditional upon Ordinary Resolution 5 being passed. For the avoidance of doubt, if Ordinary Resolution 5 is not passed, Mr Wee Phui Gam will cease to be a Director with effect from the date of the AGM of the Company, notwithstanding that Ordinary Resolutions 6 and/or 7 may be approved by shareholders at the AGM of the Company.

In the event that Ordinary Resolutions 6 and/or 7 is not approved, Mr Wee Phui Gam will continue to serve as the Acting Chairman and Lead Independent Director as well as the Chairman of the Audit, Nominating and Remuneration Committees up to and including 31 December 2021 and shall thereafter be re-designated as a Non-Independent Non-Executive Director with effect from 1 January 2022. In such circumstances, during the months prior to 31 December 2021, the Board will take steps to ensure that the Board has the appropriate number of Independent Directors with the relevant experiences in place with effect from 1 January 2022 to fulfil the requirements of the Listing Manual of the SGX-ST and Code of Corporate Governance, where applicable.

- (4) Resolution No. 9 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty percent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

Notes:

1. The AGM will be convened and held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this notice of AGM (the "Notice") and the Company's annual report ("AR") will not be sent to members. Instead, this Notice and AR will be sent to members by electronic means via publication on the Company's website at the URL <https://www.fabchemchina.com> and made available on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM of the Company to be held on Thursday, 28 October 2021 at 9.30 a.m. are set out in the Company's announcement dated 13 October 2021 (the "Announcement"), which has been uploaded together with this Notice of AGM on SGXNet at the URL <https://www.sgx.com/securities/company-announcements> on the same day. The Announcement may also be accessed at the URL <https://www.fabchemchina.com>. For the avoidance of doubt, the Announcement is circulated together with and forms part of this Notice of AGM.

In particular, the AGM will be held by way of electronic means and a member of the Company will be able to observe the proceedings of the AGM through a "live" webcast ("LIVE WEBCAST") via his/her/its mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed ("AUDIO ONLY MEANS") via telephone. In order to do so, a member of the Company who wishes to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS must register by 9.30 a.m. on 23 October 2021, at the URL <https://globalmeeting.bigbangdesign.co/fabchem2021agm/>. Following authentication of his/her/its status as members of the Company, authenticated members of the Company will receive email instructions on how to access the LIVE WEBCAST and AUDIO ONLY MEANS to observe the proceedings of the AGM by 9.30 a.m. on 27 October 2021.

NOTICE OF ANNUAL GENERAL MEETING

A member of the Company who registers to watch the LIVE WEBCAST or listen via the AUDIO ONLY MEANS may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by 9.30 a.m. on 23 October 2021 via the following:

- (a) pre-registration link at URL <https://globalmeeting.bigbangdesign.co/fabchem2021agm/>; or
- (b) email to: wlkwek@fabchemchina.com; or
- (c) post to the registered office at 8 Robinson Road #03-00 ASO Building, Singapore 048544

The Company will endeavor to address all substantial and relevant questions received from members prior to the AGM and publish its response on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and at the Company's website at the URL <https://www.fabchemchina.com>. Where substantial and relevant questions are unable to be answered prior to the AGM, the Company will address them at the AGM.

- 3. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
- 4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
- 5. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
 - (a) if sent personally or by post, to the registered office of the Company at 8 Robinson Road #03-00 ASO Building, Singapore 048544; or
 - (b) if submitted by email, be received by the Company at wlkwek@fabchemchina.com,

in either case, by 9.30 a.m. on 26 October 2021 being not less than forty-eight (48) hours before the time appointed for holding the AGM (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.

- 6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorized in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
- 7. For investors who hold shares through relevant intermediaries, including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes, at least seven (7) working days before the time appointed for the holding of the AGM (ie. by 9.30 a.m. on 18 October 2021). CPF investors and/or SRS investors are requested to contact their respective CPF and/or SRS Operators for any queries they may have with regard to the appointment of the Chairman of the Meeting as proxy for the AGM.

Personal data privacy:

By submitting (a) a proxy form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, or (b) member particulars for pre-registration to participate in the AGM via LIVE WEBCAST or AUDIO ONLY MEANS, or (c) submitting any question prior to the AGM in accordance with this Notice of AGM or the Announcement, a member consents to the collection, use and disclosure of the member's personal data by the Company (or its agents, advisers or service providers, as the case may be) for the following purposes:

- (i) processing and administration by the Company (or its agents, advisers or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of pre-registration for participation at the AGM for purpose of granting access to members to the LIVE WEBCAST or AUDIO ONLY MEANS and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions related to the resolutions to be tabled for approval at the AGM from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and
- (v) enabling the Company (or its agents, advisers or service providers, as the case may be) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes of the AGM. Accordingly, the personal data of a member (such as name, presence at the AGM and any questions raised or motions proposed/seconded) may be recorded by the Company for such purposes.

FABCHEM CHINA LIMITED

(Company Registration No.: 200413128G)
(Incorporated in the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

This proxy form has been made available on SGXNet and the Company's website and may be accessed at the URL <https://www.fabchemchina.com>. A printed copy of this proxy form will NOT be despatched to members of the Company.

IMPORTANT:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 13 October 2021 ("Announcement") which has been uploaded together with the Notice of AGM dated 13 October 2021 on SGXNET on the same day. The Announcement may also be accessed at the Company's corporate website at the URL <https://www.fabchemchina.com>. For the avoidance of doubt, the Announcement is circulated together with and forms part of the Notice of AGM dated 13 October 2021 in respect of the AGM.
2. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. Please read the notes to this proxy form.

*I/We _____ (Name) _____ (NRIC/Passport No./Company Registration No.)

of _____ (Address)

being a *member/members of **FABCHEM CHINA LIMITED** (the "**Company**", and together with its subsidiaries, the "**Group**"), hereby appoints the Chairman of the annual general meeting of the Company (the "**AGM**"), as *my/our proxy to vote for *me/us on *my/our behalf at the AGM to be held by way of electronic means (via LIVE WEBCAST and/or AUDIO ONLY MEANS) on Thursday, 28 October 2021 at 9.30 a.m. and at any adjournment thereof. *I/We direct the Chairman of the AGM to vote for or against, or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as *my/our proxy will be treated as invalid.

All resolutions put to the vote at the AGM shall be decided by way of poll.

If you wish to exercise all your votes "For" or "Against", or "Abstain" the relevant Resolutions, please mark an "X" in the appropriate box provided. Alternatively, please indicate the number of votes "For" or "Against", or "Abstain" each Resolution in the boxes provided as appropriate. If you mark an "X" in the abstain box for a particular Resolution, you are directing your proxy, who is the Chairman of the AGM, not to vote on that Resolution

No.	Ordinary Resolutions	For	Against	Abstain
1.	To adopt the Audited Financial Statements, Directors' Statement and Auditors' Report of the Company for the financial period ended 30 June 2021.			
2.	To approve the payment of Directors' Fees for the financial period ended 30 June 2021.			
3.	To approve the payment of Directors' Fees for the financial year ending 30 June 2022 payable quarterly.			
4.	To re-elect Mr Sun Bowen as a Director under Article 107.			
5.	To re-elect Mr Wee Phui Gam as a Director under Article 107.			
6.	Approval of Mr Wee Phui Gam's continued appointment as an Independent Director by all shareholders.			
7.	Approval of Mr Wee Phui Gam's continued appointment as an Independent Director by shareholders (excluding the Directors and the Chief Executive Officer of the Company, and their respective associates).			
8.	To re-appoint RSM Chio Lim LLP as Auditors and authorise Directors to fix their remuneration.			
9.	Approval of Authority to allot and issue shares.			

Dated this _____ day of _____ 2021.

Total no. of Shares in	No. of Shares
(a) Depository Register	
(b) Register of Members	

Signature(s) of member(s)/Common Seal of Corporate member(s)

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM OVERLEAF



NOTES FOR PROXY FORM

1. Please insert the total number of shares in the capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the AGM as proxy shall be deemed to relate to all the Shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. This instrument appointing the Chairman of the AGM as proxy must:
 - (a) if sent personally or by post, to the registered office of the Company at 8 Robinson Road #03-00 ASO Building, Singapore 048544; or
 - (b) if submitted by email, be received by the Company at wlkwek@fabchemchina.com.in either case, by 9.30 a.m. on 26 October 2021 (being not less than forty-eight (48) hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.
4. This proxy form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing.
 - (i) Where this proxy form is executed by a corporation, it must be executed either under its common seal (or otherwise in accordance with its constitution) or under the hand of an officer or attorney duly authorised.
 - (ii) Where this proxy form is executed by an attorney on behalf of the appointor, the letter or the power of attorney or a duly certified true copy thereof must be lodged with this proxy form, failing which the instrument of proxy may be treated as invalid.
5. For investors who hold Shares through relevant intermediaries, including CPF and SRS investors, this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. Investors who wish to appoint the Chairman of the AGM as proxy should contact their relevant intermediaries (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) to submit their votes at least seven (7) working days before the AGM (ie. by 9.30 a.m. on 18 October 2021).

General:

The Company shall be entitled to reject this proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting this proxy form, the member of the Company accepts and agrees to the personal data privacy terms as set out in the Notice of AGM dated 13 October 2021.

BOARD OF DIRECTORS

Bao Hongwei
Wee Phui Gam
Sun Bowen
Professor Jiang Rongguang

Managing Director
Acting Chairman and Lead Independent Director
Non-Executive and Non-Independent Director
Independent Director

NOMINATING COMMITTEE

Wee Phui Gam *Chairman*
Professor Jiang Rongguang
Sun Bowen

REMUNERATION COMMITTEE

Wee Phui Gam *Chairman*
Professor Jiang Rongguang
Sun Bowen

AUDIT COMMITTEE

Wee Phui Gam *Chairman*
Professor Jiang Rongguang
Sun Bowen

JOINT COMPANY SECRETARIES

Nor Hafiza Alwi
Loh Mei Ling

MAILING ADDRESS

2 Bukit Merah Central
#12-03
Singapore 159835

REGISTERED OFFICE

8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: (65) 6538 0779
Fax: (65) 6438 7926

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
(Fei County Sub-branch)
Feicheng Town, Minzhu Road,
East Section, Fei County,
Shandong 273400, PRC

COMPANY REGISTRATION NUMBER

200413128G

REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services
Pte. Ltd.
50 Raffles Place
#32-01
Singapore Land Tower
Singapore 048623

INDEPENDENT AUDITORS

RSM Chio Lim LLP
Certified Public Accountants, Singapore
(Member of RSM International)
8 Wilkie Road
#03-08
Wilkie Edge
Singapore 228095

Partner-in-charge:
Goh Swee Hong
Appointment with effect from financial year ended
31 March 2019

INVESTOR RELATIONS

8PR Asia Pte Ltd
Alex Tan
Tel: (65) 9451 5252
Email: alex.tan@8prasia.com



FABCHEM CHINA LIMITED

2 Bukit Merah Central

#12-03

Singapore 159835

Tel: (65) 6265 5918 Fax: (65) 6268 2447

www.fabchemchina.com