



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2018 (“FY2018”)

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

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

	Group		Increase/ (Decrease) %
	Unaudited FY2018 RMB'000	Audited FY2017 RMB'000	
Revenue	191,260	148,531	28.8
Cost of sales	(155,318)	(126,285)	23.0
Gross profit	35,942	22,246	61.6
<u>Other Items of Income</u>			
Interest income – Note (i)	5,000	289	1630.1
Other gains – Note (ii)	2,483	2,382	4.2
<u>Other Items of Expense</u>			
Distribution costs	(21,297)	(18,878)	12.8
Administrative expenses	(30,701)	(31,225)	(1.7)
Finance costs	(3,355)	(3,532)	(5.0)
Other losses – Note (iii)	(3,345)	(5,137)	(34.9)
Loss before tax from continuing operations	(15,273)	(33,855)	(54.9)
Income tax income	162	8,720	(98.1)
Loss from continuing operations, net of tax	(15,111)	(25,135)	(39.9)
Gain from discontinued operations, net of tax – Note (iv)	-	26,157	N.M.
(Loss) / Profit attributable to shareholders	(15,111)	1,022	N.M.
<u>Other comprehensive income</u>			
Foreign currency translation difference	(17)	97	N.M.
Total comprehensive (loss) / income for the year	(15,128)	1,119	N.M.
Note (i) – Interest income			
Interest income from bank	283	289	(2.1)
Interest income on financial liabilities measured at amortised cost	4,717	-	N.M.
	5,000	289	1630.1
Note (ii) – Other Gains			
Allowance for impairment on trade receivables – reversal	330	1,700	(80.6)
Gain on disposal of property, plant and equipment	1,218	-	N.M.
Government grants	935	682	37.1
	2,483	2,382	4.2

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

Group		Increase/ (Decrease) %
Unaudited FY2018 RMB'000	Audited FY2017 RMB'000	

Note (iii) – Other Losses

Loss on disposal of property, plant and equipment	-	(182)	N.M.
Foreign exchange adjustment losses	(1,540)	(424)	263.2
Inventories written-off	(58)	-	N.M.
Property, plant and equipment written-off	(55)	(723)	(92.4)
Allowance for impairment on trade receivables – loss	(1,692)	(3,808)	(55.6)
	<u>(3,345)</u>	<u>(5,137)</u>	<u>(34.9)</u>

Note (iv) – Gain from discontinued operations, net of tax

Revenue	-	121	N.M.
Cost of sales	-	(110)	N.M.
Gross profit	-	11	N.M.
Interest income	-	184	N.M.
Distribution costs	-	(107)	N.M.
Administrative expenses	-	(1,937)	N.M.
Finance costs	-	(995)	N.M.
Other losses	-	(1,123)	N.M.
Loss before tax	-	(3,967)	N.M.
Income tax income	-	10	N.M.
Loss from discontinued operations, net of tax	-	(3,957)	N.M.
Gain on disposal of discontinued operation - Note (v)	-	30,114	N.M.
Gain from discontinued operation, net of tax	-	<u>26,157</u>	N.M.

Note (v) – Gain on disposal of discontinued operation

Consideration on disposal of a subsidiary	-	*	N.M.
Add: Net liabilities disposed of	-	63,430	N.M.
Less: Waiver of amount due to Yinguang Technology	-	(33,316)	N.M.
Gain on disposal of a subsidiary, net	-	<u>30,114</u>	N.M.

* Consideration on disposal is RMB 1

1(a)(ii) Profit/(loss) from continuing operations, net of tax was stated after crediting / (charging) :-

	Group		Increase/ (Decrease) %
	Unaudited FY2018 RMB'000	Audited FY2017 RMB'000	
Allowance for impairment on trade receivables – loss	(1,692)	(3,808)	(55.6)
Allowance for impairment on trade receivables – reversal	330	1,700	(80.6)
Amortisation expenses	(2,719)	(2,685)	1.3
Depreciation expenses	(18,090)	(18,285)	(1.1)
Foreign exchange adjustment losses	(1,540)	(424)	263.2
Inventories written-off	(58)	-	N.M.
Interest expense	(3,355)	(3,532)	(5.0)
Interest income from bank deposits	283	289	(2.1)
Interest income on financial liabilities measured at amortised cost	4,717	-	N.M.
Property, plant and equipment written-off	(55)	(723)	(92.4)
Gain/(Loss) on disposal of property, plant and equipment	1,218	(182)	N.M.
Gain from discontinued operations, net of tax	-	26,157	N.M.
Under adjustments of tax in respect of prior years	(842)	(393)	114.2

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited 31 March 2018 RMB'000	Audited 31 March 2017 RMB'000	Unaudited 31 March 2018 RMB'000	Audited 31 March 2017 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	232,903	207,940	76	113
Other assets, non-current	80,251	75,566	-	-
Investment in subsidiary	-	-	107,931	111,150
Deferred tax assets	18,189	17,327	-	-
Total non-current assets	331,343	300,833	108,007	111,263
Current assets :				
Inventories	32,068	35,353	-	-
Trade and other receivables (Note 1)	54,728	61,135	78	30
Other assets, current	9,268	20,365	136	143
Cash and cash equivalents	89,018	83,250	358	200
Total current assets	185,082	200,103	572	373
Total assets	516,425	500,936	108,579	111,636
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings/(Accumulated losses)	148,244	163,355	(6,539)	(7,816)
Other reserves	88,952	88,969	(4,377)	(1,141)
Total equity	354,045	369,173	105,933	107,892
Non-Current liabilities :				
Deferred tax liabilities	2,225	2,075	-	-
Other payables, non-current (Note 2)	18,293	-	-	-
Total non-current liabilities	20,518	2,075	-	-
Current liabilities :				
Trade and other payables (Note 2)	77,655	67,489	2,646	3,744
Other financial liabilities, current	59,650	59,650	-	-
Other liabilities	4,557	2,549	-	-
Total current liabilities	141,862	129,688	2,646	3,744
Total liabilities	162,380	131,763	2,646	3,744
Total liabilities and equity	516,425	500,936	108,579	111,636
Note 1				
Trade receivables	53,174	53,284	-	-
Amount receivable from subsidiary	-	-	78	30
Other receivables	1,554	7,851	-	-
Trade and other receivables	54,728	61,135	78	30
Note 2				
Trade payables and accruals	58,120	45,999	2,262	3,320
Other payables	19,535	21,490	384	424
Trade and other payables, current	77,655	67,489	2,646	3,744
Other payables, non-current	18,293	-	-	-
Trade and other payables, total	95,948	67,489	2,646	3,744

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

Amount repayable in one year or less, or on demand

(RMB'000)

31 March 2018		31 March 2017	
Secured	Unsecured	Secured	Unsecured
59,650	-	59,650	-

Amount repayable after one year

(RMB'000)

31 March 2018		31 March 2017	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 March 2018, the Group has aggregate secured short-term loans from financial institutions of RMB 59.7 million.

Secured short-term loans of RMB 59.7 million are secured using our subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology")'s land and buildings with net book value of approximately RMB 75.5 million. The secured short-term loans bear interest rate 4.73% to 4.816% per annum.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Unaudited FY2018 RMB'000	Audited FY2017 RMB'000
Cash flows from operating activities		
Loss before tax from continuing operations	(15,273)	(33,855)
Adjustments for :		
Allowance for impairment on trade receivables – loss	1,692	3,808
Allowance for impairment on trade receivables – reversal	(330)	(1,700)
Amortisation expenses	2,719	2,685
Depreciation expense	18,090	18,285
(Gain)/Loss on disposal of property, plant and equipment	(1,218)	182
Property, plant and equipment written-off	55	723
Provision for safety expenses	2,656	1,806
Inventories written-off	58	-
Net effect of exchange rate changes in translation of financial statements of parent	(15)	94
Interest expenses	3,355	3,532
Interest income	(5,000)	(289)
Operating cash flows before changes in working capital	6,789	(4,729)
Inventories	3,227	4,438
Trade and other receivables	5,045	(11,289)
Other assets	3,693	(4,123)
Trade and other payables	10,166	10,592
Other liabilities	(648)	(2,084)
Net cash flows from / (used in) operations before interest and tax	28,272	(7,195)
Income taxes paid	(550)	-
Net cash flows from / (used in) operating activities, continuing operations	27,722	(7,195)
Net cash flows used in discontinued operating activities	-	(34,220)
Net cash from / (used in) operating activities, total	27,722	(41,415)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,666	1,708
Purchase of property, plant and equipment	(20,548)	(12,385)
Purchase of land use rights	-	(58)
Disposal of a subsidiary (net cash disposed of) (Note A)	-	(492)
Interest received	283	289
Net cash flows used in investing activities, continuing operations	(18,599)	(10,938)
Net cash flows from discontinued investing activities	-	34,944
Net cash (used in) / from investing activities, total	(18,599)	24,006
Cash flows from financing activities		
Proceeds from bank borrowings	59,650	81,550
Repayment of borrowings	(59,650)	(67,400)
Interest paid	(3,355)	(3,532)
Net cash flows (used in) / from financing activities, continuing operations	(3,355)	10,618
Net cash flows used in discontinued financing activities	-	(995)
Net cash (used in) / from financing activities, total	(3,355)	9,623
Net increase / (decrease) in cash and cash equivalents	5,768	(7,786)
Cash and cash equivalents, statement of cash flows, beginning balance	83,250	91,036
Cash and cash equivalents, statement of cash flows, ending balance	89,018	83,250

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)

Group	
FY2018 RMB'000	FY2017 RMB'000

Note A: Disposal of a subsidiary (net cash disposed of)

During the current financial year, the book values of net assets of subsidiary disposed were as follows:

Property, plant and equipment	-	(840)
Other assets, non-current	-	(10,774)
Inventories	-	(2,029)
Trade receivables	-	(3,716)
Tax recoverable	-	(3,439)
Other receivables	-	(5,329)
Other assets, current	-	(5,157)
Cash and cash equivalents	-	(492)
Deferred tax liabilities	-	980
Trade payables and accruals	-	14,920
Other payables	-	2,109
Due to Yinguang Technology	-	33,316
Other financial liabilities, current	-	38,163
Other liabilities	-	5,718
Net liabilities disposed of	-	63,430
Gain on disposal	-	63,430
Consideration on disposal of a subsidiary	-	*
Cash and cash equivalents	-	492
Net cash outflow	-	492

* Consideration on disposal is RMB 1

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Issued capital	Statutory reserve	Capital reserve	Foreign currency translation reserve	Retained earnings	Total
Group (RMB'000)						
Balance at 1 April 2017	116,849	44,117	44,000	852	163,355	369,173
Total comprehensive loss for the year	-	-	-	(17)	(15,111)	(15,128)
Balance at 31 March 2018	116,849	44,117	44,000	835	148,244	354,045
Balance at 1 April 2016	116,849	44,117	44,000	755	162,333	368,054
Total comprehensive income for the year	-	-	-	97	1,022	1,119
Balance at 31 March 2017	116,849	44,117	44,000	852	163,355	369,173

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total
Company (RMB'000)				
Balance at 1 April 2017	116,849	(1,141)	(7,816)	107,892
Total comprehensive loss for the year	-	(3,236)	1,277	(1,959)
Balance at 31 March 2018	116,849	(4,377)	(6,539)	105,933
Balance at 1 April 2016	116,849	(4,556)	2,671	114,964
Total comprehensive loss for the year	-	3,415	(10,487)	(7,072)
Balance at 31 March 2017	116,849	(1,141)	(7,816)	107,892

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Group	
	31 March 2018	31 March 2017
Total number of issued shares	46,800,000	46,800,000

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

There is no sale, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There is no sale, transfer, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

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

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

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

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

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

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

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

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

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(Loss)/Earnings per ordinary share for the year based on net (loss)/profit attributable to shareholders :

Based on weighted average number of ordinary shares in issue
Continuing operations
Discontinued operations

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

Group	
FY2018	FY2017
RMB cents	RMB cents
(32.29)	(53.71)
-	55.89
(32.29)	2.18
46,800,000	46,800,000

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

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the :-

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	Group		Company	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued shares at the end of the financial year	756.51	788.83	226.35	230.54
Number of issued shares use in calculating net asset value	46,800,000	46,800,000	46,800,000	46,800,000

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.

Revenue

Our products can be categorised mainly into (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators; and (d) ammonium nitrate (discontinued operation). The breakdown of our revenue by the above-mentioned product types and geographical segments during the financial year ended 31 March 2017 ("FY2017") and financial year ended 31 March 2018 ("FY2018") are as follows:

Product Types	Group				% change
	FY2018		FY2017		
	RMB'000	%	RMB'000	%	
<u>Continuing operations</u>					
Explosive devices	78,971	41.3	33,434	22.5	136.2
Industrial fuse and initiating explosive devices	53,242	27.8	61,680	41.5	(13.7)
Industrial detonators	58,917	30.8	52,755	35.5	11.7
Others ⁽¹⁾	130	0.1	662	0.4	(80.4)
Total continuing operations	191,260	100.0	148,531	99.9	28.8
<u>Discontinued operation</u>					
Ammonium Nitrate	-	-	121	0.1	N.M.
Others ⁽¹⁾	-	-	-	-	N.M.
Total discontinued operation	-	-	121	0.1	N.M.
Consolidated revenue	191,260	100.0	148,652	100.0	28.7

Geographical Segments	FY2018		FY2017		% change
	RMB'000	%	RMB'000	%	
	<u>Continuing operations</u>				
Within PRC	124,806	65.3	117,515	79.0	6.2
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	9,383	4.9	3,366	2.3	178.8
Australia	57,071	29.8	26,899	18.1	112.2
Others	-	-	751	0.5	N.M.
	66,454	34.7	31,016	20.9	114.3
Total continuing operations	191,260	100.0	148,531	99.9	28.8
<u>Discontinued operation</u>					
Within PRC	-	-	121	0.1	N.M.
Total discontinued operation	-	-	121	0.1	N.M.
Consolidated revenue	191,260	100.0	148,652	100.0	28.7

Note :

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

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

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Revenue

During FY2018, revenue from continuing operations increased by approximately RMB 42.7 million or 28.8% to RMB 191.3 million from RMB 148.5 million in FY2017. The increase in revenue was mainly attributed to the increased sales of explosives devices such as boosters and industrial detonators, which was partially offset by the slight decline in sales registered for industrial fuse and initiating explosive devices. The increased sales of boosters was due to higher production capacity of boosters as the Group's second automated boosters production line commenced production in April 2017.

a) **Sales within PRC from continuing operations**

During FY2018, sales within PRC from continuing operations increased by approximately RMB 7.3 million or 6.2%. The increase in PRC sales was mainly attributed to higher PRC sales of boosters and industrial detonators which increased by approximately RMB 11.3 million or 279.1% and RMB 4.9 million or 9.7% respectively, but was partially offset by the decrease in PRC sales of industrial fuse and initiating explosive devices of approximately RMB 8.4 million or 13.7%. The increased PRC sales of boosters were due to higher production capacity of boosters as the Group's second automated boosters production line commenced production in April 2017. As some of our customers' mining operations were temporarily impacted by local authorities measures in FY2018, the Group's sales of industrial fuse and initiating explosive devices in the PRC was affected.

b) **Sales through export distributors**

Sales through export distributors increased by approximately RMB 6.0 million or 178.8% from RMB 3.4 million during FY2017 to RMB 9.4 million during FY2018. The increment was mainly due to more shipments to South Africa during the current financial year.

c) **Sales to Australia**

Sales to Australia increased significantly by approximately RMB 30.2 million or 112.2% as the exports of our boosters increased after our production resumed on 26 May 2016 and our production capacity of boosters was enhanced after our second automated boosters production line commenced production in April 2017.

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

Gross profit margin

The Group's gross profit margin improved from 15.0% to 18.8% mainly due to the normalisation of the Group's production and sales activities during the current year under review. However, lower average selling prices across our products range due to higher market competition from manufacturers in other provinces have created a downward pressure on our selling prices.

Interest income / (Finance costs)

Interest income increased by approximately RMB 4.7 million or 1630.1% mainly due to an interest income from the measurement on long-term payable at amortised cost for the purchase of office building.

Finance costs decreased marginally by approximately RMB 177,000 or 5.0%.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Other gains / (Other losses)

For FY2018, other gains relate to write back of allowance for impairment on trade receivables of approximately RMB 0.3 million, gain on disposal of property, plant and equipment of approximately RMB 1.2 million and government grants of approximately RMB 935,000.

Other gains for FY2017 relate to write back of allowance for impairment on trade receivables of approximately RMB 1.7 million and government grants of approximately RMB 682,000.

For FY2018, other losses related to foreign exchange adjustment losses of approximately RMB 1.5 million, inventories written-off of approximately RMB 58,000, property, plant and equipment written off of approximately RMB 55,000 and allowance for impairment on trade receivables of approximately RMB 1.7 million.

Other losses for FY2017 relate to loss on disposal of property, plant and equipment of approximately RMB 182,000, foreign exchange adjustment losses of approximately RMB 424,000, property, plant and equipment written-off of approximately RMB 0.7 million and allowance for impairment on trade receivables of approximately RMB 3.8 million.

Government grants relate to a grant for certain plant and equipment which will be amortised over 3 years and other ad hoc government grants for various purposes including safety awareness.

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

Allowance for impairment on trade receivables was based on the management's assessment on the Group's individual trade receivable as at the end of the period under review, in accordance to Singapore Financial Reporting Standards. The impairment of RMB 1.7 million for FY2018 was provided on those individual long outstanding and slow-moving trade receivables during the assessment as at 31 March 2018, which was mainly attributed to the slowdown in China's economic growth that directly impacted the coal and iron-ore mining industries, which are the key markets for our commercial explosives products.

A review on the property, plant and equipment was carried out as of 31 December and 31 March and items of obsolescence were written-off, disposed-off or impaired according to their respective conditions. Gain or loss on disposal of property, plant & equipment relates to the disposal of certain motor vehicles and equipment that were no longer in use.

Operating expenses

With higher revenue recorded in FY2018, distribution costs increased by approximately RMB 2.4 million or 12.8% from FY2017's RMB 18.9 million to FY2018's RMB 21.3 million.

Administrative expenses decreased marginally by approximately RMB 0.5 million or 1.7% to approximately RMB 30.7 million in FY2018 as compared to the previous financial year as majority of the costs are fixed costs.

Income tax expenses

During FY2018, the Group registered a loss before tax from continuing operations of RMB 15.3 million (FY2017: RMB 33.9 million) and an income tax income of RMB 0.2 million (FY2017: RMB 8.7 million). The income tax income for FY2018 and FY2017 were mainly due to the deferred tax assets recognized on Yinguang Technology's loss before income tax, allowance for impairment on trade receivables and provision for safety expenses.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Statement of Financial Position

Property, plant and equipment increased by approximately RMB 25.0 million, mainly due to the acquisition of the office building from a related party of approximately RMB 32.87 million which was approved during the Extraordinary General Meeting on 31 July 2017, and was partially offset by the depreciation charged for the current year under review of approximately RMB 18.1 million.

Other assets, non-current relate to the Group's land use rights, which increased by approximately RMB 4.7 million due to the addition to land use rights for the Group for warehousing purposes, partially offset by the amortisation charges during the current year under review. Addition to the land use rights were previously paid during FY2016 and reflected as prepayment for land use rights as at 31 March 2017.

Deferred tax assets relate mainly to the temporary deductible differences for the allowance for impairment on trade and other receivables, provision for safety expenses and unused tax losses incurred.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 17.3%, 29.6%, 5.0% and 48.1% respectively of our total current assets as at 31 March 2018.

Inventories decreased by approximately RMB 3.3 million or 9.3% to RMB 32.1 million as at 31 March 2018, as compared to RMB 35.4 million as at 31 March 2017. The decrease in inventories was mainly due to lower level of work-in-progress and raw materials as at 31 March 2018.

During the current year under review, trade and other receivables decreased by approximately RMB 6.4 million or 10.5% to RMB 54.7 million as at 31 March 2018 mainly due to the absence of the RMB 6.0 million refundable deposit that was used to purchase the office building, which was paid in FY2017.

Other assets, current comprising the Group's prepayments, decreased by approximately RMB 11.1 million or 54.5% to RMB 9.3 million as at 31 March 2018. The decrease is mainly due to the transfer of prepayment for land use rights to the Group's land use rights as mentioned above under other assets, non-current.

As at 31 March 2018, our current liabilities comprised of trade and other payables of approximately RMB 77.7 million, other current financial liabilities of approximately RMB 59.7 million and other liabilities of RMB 4.6 million. Non-current liabilities comprised of deferred tax liabilities of RMB 2.2 million and other payables, non-current of approximately RMB 18.3 million.

Trade and other payables increased by approximately RMB 10.2 million or 15.1% mainly due to the higher levels of production activities and operations during the current year under review.

As at 31 March 2018 and 31 March 2017, other current financial liabilities of RMB 59.7 million relates to the secured bank loans of Yinguang Technology.

As at 31 March 2018, other liabilities of RMB 4.6 million relate to the Group's provision for safety expenses, advances from customers and a deferred government grant. The increase was mainly due to more advances from customers and higher provision for safety expenses, partially offset by the utilisation of deferred government grant.

Deferred tax liabilities of RMB 2.2 million relate to the deferred tax liabilities for the withholding tax on the dividend payable by our subsidiary in China.

Non-current payable relates to the long-term payable at amortised cost for the purchase of office building from a related party which was approved during the Extraordinary General Meeting on 31 July 2017.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Cash flow

For the financial year ended 31 March 2018, the Group recorded net cash from operating activities of approximately RMB 27.7 million, net cash used in investing activities of approximately RMB 18.6 million and net cash used in financing activities of approximately RMB 3.4 million.

The net cash from operating activities is mainly due to the Group's improvement in working capital management. Over the past few years, the Group has faced a challenging operating environment, hence the management will continue to be financially prudent and focus on new measures to further improve our operating cash flows going forward.

The net cash used in investing activities of RMB 18.6 million is mainly due to the purchase of property, plant and equipment of RMB 20.5 million, partially offset by the proceeds from disposal of property, plant and equipment of RMB 1.7 million.

The net cash used in financing activities of approximately RMB 3.4 million is due to the payment of interest expenses.

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

The current financial year results for the 12-months period ended 31 March 2018 are in line with the Company's commentary as disclosed under paragraph 10 of the third quarter results announcement for the financial period ended 31 December 2017.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Update on our boosters production facilities

As previously announced, Yinguang Technology's second automated boosters production line has successfully passed the relevant authority's inspection and was approved for trial production during April 2017. However, for safety measures and precautions, the management is gradually scaling up the production capabilities of this second automated boosters production line.

As a result of the cessation of the two manual boosters production lines during FY2017, our revenue and profitability will continue to be affected, however, with the commencement of the second automated boosters production line, the impact should be mitigated going forward, barring any unforeseen circumstances.

The Group has started the design of our third automated boosters production line and construction is expected to complete by the end of FY2019.

Mergers and Acquisitions

Since 2017, the PRC government has begun to rationalise the commercial explosives industry by encouraging companies within this specialized and niche market segment to merge and consolidate their business operations. Aligned with this government policy and to meet the various requirements of the MTP Exit Criteria under Rule 1314(2) of the SGX-ST's Listing Manual, the Group is proactively exploring merger and acquisition opportunities in the PRC. The Company will make the appropriate announcements as and when there is any material development with respect to any potential material acquisition.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

No.

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

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

No.

(c) *Date payable*

Not Applicable.

(d) *Books closure date*

Not Applicable.

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

No dividend has been declared/recommendeded for the current financial year reported on.

13. Interested Person Transaction

		Aggregate value of all interested person transaction (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		FY2018	FY2017	FY2018	FY2017
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Dyno Nobel ⁽¹⁾	Sales of commercial explosives	—	—	13,092	7,574
Shandong Yinguang Security Services Co., Ltd ⁽²⁾	Provision of security services	6,500	6,500	—	—
Wulian Hanyue Blasting Services Co., Ltd ⁽²⁾	Sales of commercial explosives	5,060	6,427	3,214	—
Shandong Yinguang Machinery Manufacturing Co., Ltd	Purchase of machineries	596	—	—	—
Shandong Yinguang Tianhong Property Development Co., Ltd ⁽³⁾	Purchase of leasehold property	—	—	32,869	—

Footnotes:

- ⁽¹⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011 and was updated and approved at the Annual General Meeting held on 31 July 2017.
- ⁽²⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 31 July 2017, thus only transactions after 31 July 2017 will be considered under general mandate.
- ⁽³⁾ The relevant mandate was approved at the Extraordinary General Meeting held on 31 July 2017.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Business segments

The Group has four major operating segments classified according to the usage of our products. The five segments are (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators and (d) ammonium nitrate (discontinued operation).

Profit or Loss from Continuing Operations and Reconciliations

RMB'000	<----- Continuing Operations ----->			<Discontinued Operation>		Total
	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	
FY2018						
Revenue by segment	78,971	53,242	58,917	–	130	191,260
Recurring EBITDA ¹	17,135	13,885	12,419	–	93	43,532
Depreciation	(2,989)	(5,059)	(7,966)	–	(2,076)	(18,090)
Amortisation	(382)	–	(233)	–	(2,104)	(2,719)
ORBIT ²	13,764	8,826	4,220	–	(4,087)	22,723
Interest income					5,000	5,000
Finance costs					(3,355)	(3,355)
Unallocated corporate expenses					(39,641)	(39,641)
Loss before tax from operations						(15,273)
Income tax income						162
Loss from operations						(15,111)
FY2017						
Revenue by segment	33,434	61,680	52,755	121	662	148,652
Recurring EBITDA ¹	6,440	12,631	9,188	(3,016)	536	25,779
Depreciation	(2,521)	(5,047)	(7,780)	(24)	(2,937)	(18,309)
Amortisation	(382)	–	(233)	(116)	(2,070)	(2,801)
ORBIT ²	3,537	7,584	1,175	(3,156)	(4,471)	4,669
Interest income					473	473
Finance costs					(4,527)	(4,527)
Unallocated corporate expenses					(8,323)	(8,323)
Loss before tax from operations						(7,708)
Income tax income						8,730
Profit from operations						1,022

¹ EBITDA refers to earnings from operations before depreciation, amortization, impairment, interests and income taxes

² ORBIT refers to operating result before interests and income taxes and other unallocated items

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (Cont'd)**

Assets and Reconciliations

RMB'000	<----- Continuing Operations ----->			<Discontinued Operation>		Total
	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	
FY2018						
Total assets for reporting segments	56,934	61,347	70,861	–	–	189,142
Unallocated:						
Property, plant & equipment					94,105	94,105
Other assets, non-current					46,474	46,474
Deferred tax assets					18,189	18,189
Inventories					15,501	15,501
Trade and other receivables					54,728	54,728
Other assets					9,268	9,268
Cash and cash equivalents					89,018	89,018
Total group assets	<u>56,934</u>	<u>61,347</u>	<u>70,861</u>	<u>–</u>	<u>327,283</u>	<u>516,425</u>

FY2017						
Total assets for reporting segments	63,210	70,788	78,705	–	–	212,703
Unallocated:						
Property, plant & equipment					54,560	54,560
Other assets, non-current					41,174	41,174
Deferred tax assets					17,327	17,327
Inventories					10,422	10,422
Trade and other receivables					61,135	61,135
Other assets					20,365	20,365
Cash and cash equivalents					83,250	83,250
Total group assets	<u>63,210</u>	<u>70,788</u>	<u>78,705</u>	<u>–</u>	<u>288,233</u>	<u>500,936</u>

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (Cont'd)**

Liabilities and Reconciliations

RMB'000	<----- Continuing Operations ----->			<Discontinued Operation>		Total
	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	
FY2018						
Total liabilities for reporting segments	2,335	2,127	5,440	–	–	9,902
Unallocated:						
Deferred tax liabilities					2,225	2,225
Trade and other payables					86,046	86,046
Other liabilities					4,557	4,557
Other financial liabilities					59,650	59,650
Total group liabilities	<u>2,335</u>	<u>2,127</u>	<u>5,440</u>	<u>–</u>	<u>152,478</u>	<u>162,380</u>

FY2017						
Total liabilities for reporting segments	1,286	1,186	2,597	–	–	5,069
Unallocated:						
Deferred tax liabilities					2,075	2,075
Trade and other payables					62,420	62,420
Other liabilities					2,549	2,549
Other financial liabilities					59,650	59,650
Total group liabilities	<u>1,286</u>	<u>1,186</u>	<u>2,597</u>	<u>–</u>	<u>126,694</u>	<u>131,763</u>

Other Material Items and Reconciliations

RMB'000	<----- Continuing Operations ----->			<Discontinued Operation>		Total
	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	
Other non-cash expenses other than depreciation/amortisation						
FY2018	–	–	–	–	(257)	(257)
FY2017	–	–	–	(1,123)	(3,013)	(4,136)
Expenditures for non-current assets:						
FY2018	409	–	1,080	–	49,473	50,962
FY2017	4,229	772	2,763	–	4,679	12,443

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (Cont'd)**

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:-

RMB'000	Revenue	
	FY2018	FY2017
Continuing operations		
Within PRC	124,806	117,515
<u>Outside PRC</u>		
Sales through export distributors	9,383	3,366
Australia	57,071	26,899
Others *	–	751
Subtotal for all foreign countries	66,454	31,016
Total continuing operations	191,260	148,531
Discontinued operation		
Within PRC	–	121
Total discontinued operation	–	121
Consolidated revenue	191,260	148,652

* Others include Kyrgyzstan, Mongolia, Indonesia

RMB'000	Non-current assets	
	FY2018	FY2017
Within PRC	313,078	283,393
Singapore	76	113
	313,154	283,506

Revenue are attributed to countries on the basis of the customers' 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.

15. **In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments.**

Business segments

During FY2018, revenue from our explosives devices increased by RMB 45.5 million or 136.2%. Explosives devices, consist of boosters increased mainly due to the commencement of the Group's second automated boosters production line in April 2017. Sales of industrial detonators also increased by RMB 6.2 million or 11.7%. However, our sales of industrial fuse and initiating explosives devices declined by RMB 8.4 million or 13.7% as some of our customers' mining operations were temporarily impacted by local authorities measures in FY2018.

Geographical segments

PRC sales improved marginally by approximately RMB 7.3 million or 6.2% while overseas sales improved significantly by 114.3% or approximately RMB 35.4 million during FY2018. PRC and export revenue represent approximately 65.3% (FY2017: 79.1%) and 34.7% (FY2017: 20.9%) of the total revenue for FY2018. The increase in proportion of overseas sales over local PRC sales is mainly due to the increased sales of boosters with our higher production capacity of boosters.

Please refer to section 8 for more discussions on the geographical segments.

16. A breakdown of sales.

	Group		Increase/ (Decrease)
	FY2018	FY2017	%
	RMB'000	RMB'000	
Revenue reported for first half year			
- Continuing operations	97,072	68,291	42.1
- Discontinued operation	-	121	N.M.
	97,072	68,412	41.9
Operating (loss)/profit after tax reported for first half year			
- Continuing operations	(5,310)	13,349	N.M.
- Discontinued operation	-	(3,957)	N.M.
	(5,310)	9,392	N.M.
Revenue reported for second half year			
- Continuing operations	94,188	80,240	17.4
- Discontinued operation	-	-	-
	94,188	80,240	17.4
Operating loss after tax reported for second half year			
- Continuing operations	(9,801)	(8,370)	17.1
- Discontinued operation	-	-	-
	(9,801)	(8,370)	17.1

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total annual dividend

	FY2018	FY2017
	RMB'000	RMB'000
Ordinary	-	-
Preference	-	-
Total	-	-

18. **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).**

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Sun Qiang	46	Son of Sun Bowen, an Executive Director	Current Position: Sales and Marketing Manager. Duties: Responsible for the sales and marketing function of the Group. Year position first held: 2003	No changes in duties and position during the year.

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

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

**BY ORDER OF THE BOARD
BAO HONGWEI
MANAGING DIRECTOR
30 MAY 2018**