



## Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the 1<sup>st</sup> Quarter ended 30 June 2018 (“1Q2019”)

### 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) %
	3 months ended 30 June 2018 RMB'000	3 months ended 30 June 2017 RMB'000	
<b>Revenue</b>	45,076	48,023	(6.1)
Cost of sales	(39,108)	(37,805)	3.4
<b>Gross profit</b>	5,968	10,218	(41.6)
<b><u>Other Items of Income</u></b>			
Interest income	76	70	8.6
Other gains – Note (i)	446	591	(24.5)
<b><u>Other Items of Expense</u></b>			
Distribution costs	(4,354)	(5,071)	(14.1)
Administrative expenses	(6,641)	(7,957)	(16.5)
Finance costs	(1,091)	(684)	59.5
Other losses – Note (ii)	-	(87)	N.M.
<b>Loss before tax</b>	(5,596)	(2,920)	91.6
Income tax expense	(174)	(182)	(4.4)
<b>Loss after income tax</b>	(5,770)	(3,102)	N.M.
<b>Note (i) – Other Gains</b>			
Allowance for impairment on trade receivables - reversal	145	157	(7.6)
Foreign exchange adjustment gain	195	-	N.M.
Gain on disposal of property, plant & equipment	-	320	N.M.
Government grant	106	114	(7.0)
	446	591	(24.5)
<b>Note (ii) – Other Losses</b>			
Foreign exchange adjustment loss	-	(87)	N.M.
	-	(87)	N.M.

#### Loss before income tax was stated after crediting / (charging) :-

Amortisation expenses	(698)	(661)	5.6
Depreciation expenses	(4,694)	(5,184)	(9.5)
Allowance for impairment on trade receivables - reversal	145	157	(7.6)
Foreign exchange adjustment gain/(loss)	195	(87)	(324.1)
Interest expense	(1,091)	(684)	59.5
Interest income from bank deposits	76	70	8.6
Gain on disposal of property, plant & equipment	-	320	N.M.

1(a)(ii) 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)

	<b>Group</b>		<b>Increase/ (Decrease)</b>
	<b>3 months ended 30 June 2018 RMB'000</b>	<b>3 months ended 30 June 2017 RMB'000</b>	
<b>Loss after income tax</b>	(5,770)	(3,102)	86.0
Foreign currency translation difference	23	3	666.7
<b>Total comprehensive loss for the period</b>	<u>(5,747)</u>	<u>(3,099)</u>	85.4

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

	Group		Company	
	Unaudited 30 June 2018 RMB'000	Audited 31 March 2018 RMB'000	Unaudited 30 June 2018 RMB'000	Audited 31 March 2018 RMB'000
<b>ASSETS</b>				
<b>Non-current assets :</b>				
Property, plant and equipment	226,714	228,186	69	76
Other assets, non-current	79,553	80,251	-	-
Investment in subsidiary	-	-	109,493	107,931
Deferred tax assets	18,190	18,189	-	-
<b>Total non-current assets</b>	<b>324,457</b>	<b>326,626</b>	<b>109,562</b>	<b>108,007</b>
<b>Current assets :</b>				
Inventories	32,318	32,068	-	-
Trade and other receivables (Note 1)	47,441	54,728	3,316	78
Other assets, current	13,676	9,268	95	136
Cash and cash equivalents	86,093	89,018	96	358
<b>Total current assets</b>	<b>179,528</b>	<b>185,082</b>	<b>3,507</b>	<b>572</b>
<b>Total assets</b>	<b>503,985</b>	<b>511,708</b>	<b>113,069</b>	<b>108,579</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves :</b>				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	137,757	143,527	(4,192)	(6,539)
Other reserves	88,975	88,952	(2,791)	(4,377)
<b>Total equity</b>	<b>343,581</b>	<b>349,328</b>	<b>109,866</b>	<b>105,933</b>
<b>Non-Current liabilities :</b>				
Deferred tax liabilities	2,150	2,225	-	-
Other payables, non-current (Note 2)	18,597	18,293	-	-
<b>Total non-current liabilities</b>	<b>20,747</b>	<b>20,518</b>	<b>-</b>	<b>-</b>
<b>Current liabilities :</b>				
Trade and other payables (Note 2)	76,191	77,655	3,203	2,646
Other financial liabilities, current	59,650	59,650	-	-
Other liabilities	3,816	4,557	-	-
<b>Total current liabilities</b>	<b>139,657</b>	<b>141,862</b>	<b>3,203</b>	<b>2,646</b>
<b>Total liabilities</b>	<b>160,404</b>	<b>162,380</b>	<b>3,203</b>	<b>2,646</b>
<b>Total liabilities and equity</b>	<b>503,985</b>	<b>511,708</b>	<b>113,069</b>	<b>108,579</b>
<b>Note 1</b>				
Trade receivables	45,479	53,174	-	-
Amount receivable from subsidiary	-	-	3,316	78
Other receivables	1,962	1,554	-	-
<b>Trade and other receivables</b>	<b>47,441</b>	<b>54,728</b>	<b>3,316</b>	<b>78</b>
<b>Note 2</b>				
Trade payables and accruals	55,832	58,120	2,760	2,262
Other payables	20,359	19,535	443	384
<b>Trade and other payables, current</b>	<b>76,191</b>	<b>77,655</b>	<b>3,203</b>	<b>2,646</b>
Other payables, non-current	18,597	18,293	-	-
<b>Trade and other payables</b>	<b>94,788</b>	<b>95,948</b>	<b>3,203</b>	<b>2,646</b>

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

**Amount repayable in one year or less, or on demand**

**(RMB'000)**

<b>30 June 2018</b>		<b>31 March 2018</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
59,650	-	59,650	-

**Amount repayable after one year**

**(RMB'000)**

<b>30 June 2018</b>		<b>31 March 2018</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
-	-	-	-

**Details of any collateral**

As at 30 June 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's ("Yinguang Technology) land and buildings with net book value of approximately RMB 74.3 million. The secured short-term loans bear interest rate 4.73% to 5.0895% 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	
	3 months ended 30 June 2018 RMB'000	3 months ended 30 June 2017 RMB'000
<b>Cash flows from operating activities</b>		
Loss before tax	(5,596)	(2,920)
Adjustments for :		
Amortisation expenses	698	661
Depreciation expense	4,694	5,184
Interest income	(76)	(70)
Interest expenses	1,091	684
Gain on disposal of property, plant & equipment	-	(320)
Allowance for impairment on trade receivables – reversal	(145)	(157)
Provision for safety expenses	649	665
Net effect of exchange rate changes in translation of financial statements of Parent	22	3
Operating profit before working capital changes	1,337	3,730
Inventories	(250)	2,551
Trade and other receivables	7,432	4,149
Other assets	(4,408)	(3,089)
Trade and other payables	(1,464)	6,568
Other liabilities	(1,390)	(490)
Net cash generated from operations before tax	1,257	13,419
Income tax paid	(250)	(150)
<b>Net cash from operating activities</b>	<b>1,007</b>	<b>13,269</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant & equipment	-	400
Purchase of property, plant and equipment	(3,221)	(721)
Interest received	76	70
<b>Net cash used in investing activities</b>	<b>(3,145)</b>	<b>(251)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	30,000	10,000
Repayment of borrowings	(30,000)	(30,000)
Interest paid	(787)	(684)
<b>Net cash used in financing activities</b>	<b>(787)</b>	<b>(20,684)</b>
Net decrease in cash	(2,925)	(7,666)
Cash and cash equivalents at beginning of the period	89,018	83,250
<b>Cash and cash equivalents at end of the period</b>	<b>86,093</b>	<b>75,584</b>

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

	Share capital	Statutory reserve	Capital reserve	Foreign currency translation reserves	Retained earnings	Total
<b>Group (RMB'000)</b>						
Balance at 1 April 2018	116,849	44,117	44,000	835	143,527	349,328
Total comprehensive income/(loss) for the period	-	-	-	23	(5,770)	(5,747)
Balance at 30 June 2018	116,849	44,117	44,000	858	137,757	343,581
Balance at 1 April 2017	116,849	44,117	44,000	852	163,355	369,173
Total comprehensive income/(loss) for the period	-	-	-	3	(3,102)	(3,099)
Balance at 30 June 2017	116,849	44,117	44,000	855	160,253	366,074

	Share capital	Foreign currency translation reserves	Retained earnings	Total
<b>Company (RMB'000)</b>				
Balance at 1 April 2018	116,849	(4,377)	(6,539)	105,933
Total comprehensive income for the period	-	1,586	2,347	3,933
Balance at 30 June 2018	116,849	(2,791)	(4,192)	109,866
Balance at 1 April 2017	116,849	(1,141)	(7,816)	107,892
Total comprehensive (loss)/income for the period	-	(227)	102	(125)
Balance at 30 June 2017	116,849	(1,368)	(7,714)	107,767

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

Not applicable.

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

	Group	
	30 June 2018	31 March 2018
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. **Loss 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.**

	<b>Group</b>	
	<b>3 months ended 30 June 2018</b>	<b>3 months ended 30 June 2017</b>
	<b>RMB cents</b>	<b>RMB cents</b>
Loss per ordinary share for the year based on net loss after income tax :		
Based on weighted average number of ordinary shares in issue	(12.33)	(6.63)
Weighted average number of ordinary shares in issue for basic earnings per share	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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2018</b>	<b>31 March 2018</b>	<b>30 June 2018</b>	<b>31 March 2018</b>
	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>
Net asset value per ordinary share based on the issued shares at the end of the financial year	734.15	746.43	234.76	226.35
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

Revenue for the 3-month period ended 30 June 2018 ("1Q2019") decreased by approximately RMB 2.9 million or 6.1%, from RMB 48.0 million of the 3-month period ended 30 June 2017 ("1Q2018") to RMB 45.1 million in 1Q2019. The lower revenue registered in 1Q2019 was mainly due to the decrease in sales of industrial fuse and initiating explosive devices, partially offset by increase in sales of explosives devices.

Our products can be categorised mainly into (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes and (c) industrial detonators such as non-electric detonators and piston non-electric detonators.

The breakdown and comparison of our revenue by the above product types and geographical segments between 1Q2019 and 1Q2018 are as follows:

Product Types	Group				% change
	3 months ended 30 June 2018 ("1Q2019")		3 months ended 30 June 2017 ("1Q2018")		
	RMB'000	%	RMB'000	%	
Explosive devices	18,657	41.4	11,471	23.9	62.6
Industrial fuse and initiating explosive devices	10,316	22.9	20,693	43.1	(50.1)
Industrial detonators	15,908	35.3	15,766	32.8	0.9
Others <sup>(1)</sup>	195	0.4	93	0.2	109.7
<b>Total revenue</b>	<b>45,076</b>	<b>100.0</b>	<b>48,023</b>	<b>100.0</b>	<b>(6.1)</b>

Geographical Segments	Group				% change
	3 months ended 30 June 2018 ("1Q2019")		3 months ended 30 June 2017 ("1Q2018")		
	RMB'000	%	RMB'000	%	
Within PRC	28,776	63.8	39,687	82.6	(27.5)
<u>Outside PRC</u>					
Australia	5,204	11.6	8,336	17.4	(37.6)
Sales through export distributors <sup>(2)</sup>	10,785	23.9	-	-	N.M.
Other countries	311	0.7	-	-	N.M.
	16,300	36.2	8,336	17.4	95.5
<b>Total revenue</b>	<b>45,076</b>	<b>100.0</b>	<b>48,023</b>	<b>100.0</b>	<b>(6.1)</b>

Notes :

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

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

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**

- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)

a) Sales within PRC

Sales within PRC decreased by approximately RMB 10.9 million or 27.5% to RMB 28.8 million in 1Q2019, as compared to RMB 39.7 million in the previous corresponding period. The dip in PRC sales was mainly due to lower sales of industrial fuse and initiating explosive devices as some of our customers' mining operations were affected by additional local authorities measures since the second quarter of FY2018.

b) Sales to Australia

Sales to Australia decreased by approximately RMB 3.1 million from RMB 8.3 million during 1Q2018 to RMB 5.2 million during 1Q2019. The lower sales to Australia was mainly due to the timing of scheduled shipments of boosters to overseas customers.

c) Sales through export distributor

During 1Q2019, sales through export distributor registered revenue of approximately RMB 10.8 million that was mainly from the export sales of boosters of approximately RMB 8.8 million and industrial detonators of approximately RMB 2.0 million through an export distributor. There was no sale and shipment during 1Q2018.

d) Sales to other countries

During 1Q2019, sales to other countries registered revenue of approximately RMB 311,000. There was no sale to other countries during 1Q2018.

All local 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**

Due to the higher market competition and lower sales of industrial fuse and initiating explosive devices during 1Q2019, the Group's gross profit margin deteriorated by approximately 8.1 percentage points, from 21.3% in 1Q2018 to 13.2% in 1Q2019.

**Interest income / (Finance costs)**

Interest income remained relatively unchanged at RMB 76,000 in 1Q2019.

Finance costs increased by approximately RMB 407,000 mainly due to an imputed interest expense on financial liabilities measured at amortised cost of approximately RMB 304,000 and higher bank lending interest rates in the general market during 1Q2019 as compared to 1Q2018.

**Other gains**

For 1Q2019, other gains include the reversal of allowance for impairment on trade receivables of RMB 145,000, foreign exchange adjustment gain of approximately RMB195,000 and government grants of approximately RMB 106,000. For 1Q2018, other gains include the reversal of allowance for impairment on trade receivables of RMB 157,000, gain on disposal of property, plant and equipment of approximately RMB 320,000 and government grants of approximately RMB 114,000. Gain on disposal of property, plant & equipment relates to the disposal of certain motor vehicles and machineries that were no longer in use. Government grants relate to the miscellaneous grants from governments on an ad hoc basis and the grant for certain plant and equipment which will be amortised over 3 years.

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 losses**

There were no other losses for 1Q2019. Other losses for 1Q2018 relate to foreign exchange adjustment loss. Foreign exchange adjustment gain or loss arises from foreign exchange rate changes between Renminbi (RMB), US Dollars and Singapore Dollars.

#### **Operating expenses**

In line with reduced sales activities, the Group's distribution and administrative expenses decreased by approximately RMB 0.7 million or 14.1% and RMB 1.3 million or 16.5%, respectively.

Amortisation expense increased by approximately RMB 37,000 or 5.6% mainly due to more land use rights obtained by the Group.

Depreciation expenses decreased by approximately RMB 0.5 million or 9.5% mainly due to some property, plant and equipment being fully depreciated, partially offset by the additional depreciation charged on the office property which was acquired during the last financial year as approved during the Extraordinary General Meeting on 31 July 2017.

#### **Income tax expenses**

The income tax expenses was mainly due to the provision of withholding tax for the Group.

#### **Statement of Financial Position**

Property, plant and equipment decreased by approximately RMB 1.5 million, mainly due to the depreciation charged for the current period under review of approximately RMB 4.7 million which was partially offset by the acquisition of property, plant and equipment of approximately RMB 3.2 million.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 0.7 million mainly due to the amortisation charges during the current period under review.

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

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 18.0%, 26.4%, 7.6% and 48.0% respectively of our total current assets as at 30 June 2018.

Inventories increased marginally by approximately RMB 250,000 or 0.8% to RMB 32.3 million as at 30 June 2018, as compared to RMB 32.1 million as at 31 March 2018.

During the current quarter under review, trade and other receivables decreased by approximately RMB 7.3 million or 13.3% to RMB 47.4 million as at 30 June 2018.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 4.4 million or 47.6% to RMB 13.7 million as at 30 June 2018 mainly due to higher prepayments for raw materials as at 30 June 2018.

Non-current liabilities relates to the long-term payable at amortised cost for the purchase of office property from a related party which was approved during the Extraordinary General Meeting on 31 July 2017 of approximately RMB 18.6 million and deferred tax liabilities of RMB 2.2 million for the withholding tax on the dividend payable by our subsidiary in China.

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

**Statement of Financial Position (Cont'd)**

As at 30 June 2018, our current liabilities comprised of trade and other payables of approximately RMB 76.2 million, other current financial liabilities of approximately RMB 59.7 million and other liabilities of RMB 3.8 million.

Trade and other payables decreased marginally by approximately RMB 1.5 million or 1.9% during 1Q2019.

As at 30 June 2018, other current financial liabilities of RMB 59.7 million relates to the secured bank loans of Yinguang Technology.

Other liabilities of RMB 2.7 million relate to the Group's provision for safety expenses, advances from customers and a deferred government grant.

Deferred tax liabilities of RMB 2.1 million relate to the deferred tax liabilities for the withholding tax on the dividend payable by our subsidiary in China.

**Cash flow**

For the current quarter ended 30 June 2018, the Group's net cash from operating activities amounted to approximately RMB 1.0 million, while net cash used in investing activities and financing activities, continuing operations amounted to approximately RMB 3.1 million and RMB 787,000, respectively.

The net cash from operating activities of approximately RMB 1.0 million was mainly due to lower trade and other receivables, partially offset by the increase in other assets due to prepayments for raw materials.

The net cash used in investing activities of approximately RMB 3.2 million was mainly due to the purchase of property, plant and equipment.

The net cash used in financing activities of approximately RMB 787,000 was due 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 first quarter results for the 3-months period ended 30 June 2018 are in line with the Company's commentary as disclosed under paragraph 10 of the full year results announcement for the financial year ended 31 March 2018.

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 will be gradually scaling up the production capabilities of this second automated boosters production line.

The Group has also started the design of our third automated boosters production line and barring any unforeseen circumstances, 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.

On 18 June 2018, the Company announced the proposed acquisition of Shandong Laizhou Ping'an Commercial Explosives Co., Ltd. ("Laizhou Ping'an"). For more information on the proposed acquisition of Laizhou Ping'an, please refer to the announcement on 18 June 2018.

The Company will continue to 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?**

None.

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

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

None.

(c) ***Date payable***

Not applicable.

(d) ***Books closure date***

Not applicable.

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

No dividend has been declared/recommended for the current financial period 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)	
		1Q2019	1Q2018	1Q2019	1Q2018
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Dyno Nobel <sup>(1)</sup>	Sales of commercial explosives	-	-	-	4,150
Shandong Yinguang Security Services Co., Ltd <sup>(2)</sup>	Provision of security service	-	6,500	6,200	-
Wulian Hanyue Blasting Services Co., Ltd <sup>(2)</sup>	Sales of commercial explosives	-	5,060	1,410	-

Footnotes:

- <sup>(1)</sup> 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 2018.
- <sup>(2)</sup> The relevant general mandate was approved at the Extraordinary General Meeting held on 31 July 2017 and was updated and approved at the Annual General Meeting held on 31 July 2018.

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

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

**15. Negative assurance confirmation pursuant to Rule 705(4) of the Listing Manual**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited 1<sup>st</sup> quarter financial statements set out above to be false or misleading in any material aspect.

For and On behalf of the Board of Directors

Bao Hongwei  
Managing Director

Sun Bowen  
Director

**BY ORDER OF THE BOARD  
BAO HONGWEI  
MANAGING DIRECTOR  
14 AUGUST 2018**