



Fabchem China Limited

Company registration number: 200413128G

Financial Statements for the Third Quarter ended 31 December 2018 (“3Q2019”)

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

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

	Group			Group		
	3 months from 1 Oct 2018 to 31 Dec 2018 RMB'000	3 months from 1 Oct 2017 to 31 Dec 2017 RMB'000	Increase/ (Decrease) %	9 months from 1 Apr 2018 to 31 Dec 2018 RMB'000	9 months from 1 Apr 2017 to 31 Dec 2017 RMB'000	Increase/ (Decrease) %
Revenue	42,328	41,232	2.7	128,272	138,304	(7.3)
Cost of sales	(32,484)	(35,349)	(8.1)	(103,558)	(110,702)	(6.5)
Gross profit	9,844	5,883	67.3	24,714	27,602	(10.5)
Other Items of Income						
Interest income	72	70	2.9	221	211	4.7
Other gains – Note (i)	731	735	(0.5)	2,198	1,448	51.8
Other Items of Expense						
Distribution costs	(6,342)	(5,861)	8.2	(15,445)	(15,919)	(3.0)
Administrative expenses	(8,599)	(8,597)	-	(22,590)	(23,988)	(5.8)
Financial costs	(1,216)	(966)	25.9	(3,508)	(2,552)	37.5
Other losses – Note (ii)	(3,842)	(460)	735.2	(3,684)	(609)	504.9
Loss before tax	(9,352)	(9,196)	1.7	(18,094)	(13,807)	31.0
Income tax expense	(283)	(157)	80.3	(1,002)	(856)	17.1
Loss net of tax	(9,635)	(9,353)	3.0	(19,096)	(14,663)	30.2
Note (i) – Other Gains						
Allowance for impairment on trade receivables - reversal	508	105	383.8	1,169	280	317.5
Foreign exchange adjustment gain	-	-	-	595	-	N.M.
Gain on disposal of property, plant and equipment	71	91	(22.0)	71	411	(82.7)
Government Grant	152	539	(71.8)	363	757	(52.0)
	731	735	(0.5)	2,198	1,448	51.8
Note (ii) – Other Losses						
Allowance for impairment on trade receivables	(3,684)	-	N.M.	(3,684)	-	N.M.
Foreign exchange adjustment loss	(158)	(402)	(60.7)	-	(551)	N.M.
Inventories written-off	-	(58)	N.M.	-	(58)	N.M.
	(3,842)	(460)	735.2	(3,684)	(609)	504.9

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

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

	Group			Group		
	3 months from 1 Oct 2018 to 31 Dec 2018 RMB'000	3 months from 1 Oct 2017 to 31 Dec 2017 RMB'000	Increase/(Decrease) %	9 months from 1 Apr 2018 to 31 Dec 2018 RMB'000	9 months from 1 Apr 2017 to 31 Dec 2017 RMB'000	Increase/(Decrease) %
Allowance for impairment on trade receivables	(3,684)	-	N.M.	(3,684)	-	N.M.
Allowance for impairment on trade receivables - reversal	508	105	383.8	1,169	280	317.5
Amortisation expenses	(643)	(699)	(8.0)	(2,027)	(2,021)	0.3
Depreciation expenses	(4,473)	(4,550)	(1.7)	(13,800)	(13,584)	1.6
Gain on disposal of property, plant and equipment	71	91	(22.0)	71	411	(82.7)
Interest expense	(1,216)	(966)	25.9	(3,508)	(2,552)	37.5
Interest income from bank deposits	72	70	2.9	221	211	4.7
Inventories written-off	-	58	N.M.	-	58	N.M.

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

	Group			Group		
	3 months from 1 Oct 2018 to 31 Dec 2018 RMB'000	3 months from 1 Oct 2017 to 31 Dec 2017 RMB'000	Increase/(Decrease) %	9 months from 1 Apr 2018 to 31 Dec 2018 RMB'000	9 months from 1 Apr 2017 to 31 Dec 2017 RMB'000	Increase/(Decrease) %
Loss net of tax	(9,635)	(9,353)	3.0	(19,096)	(14,663)	30.2
Foreign currency translation difference	12	(3)	N.M.	41	(16)	N.M.
Total comprehensive loss for the period	(9,623)	(9,356)	2.9	(19,055)	(14,679)	29.8

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 Dec 2018 RMB'000	Audited 31 March 2018 RMB'000	Unaudited 31 Dec 2018 RMB'000	Audited 31 March 2018 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	223,936	228,186	55	76
Other assets, non-current	78,224	80,251	-	-
Investment in subsidiary	-	-	113,709	107,931
Deferred tax assets	17,962	18,189	-	-
Total non-current assets	320,122	326,626	113,764	108,007
Current assets :				
Inventories	25,018	32,068	-	-
Trade and other receivables (Note 1)	37,037	54,728	2,257	78
Other assets, current	14,032	9,268	130	136
Cash and cash equivalents	88,446	89,018	225	358
Total current assets	164,533	185,082	2,612	572
Total assets	484,655	511,708	116,376	108,579
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings/(Accumulated losses)	117,676	143,527	(4,028)	(6,539)
Other reserves	88,993	88,952	1,442	(4,377)
Total equity	323,518	349,328	114,263	105,933
Non-Current liabilities :				
Deferred tax liabilities	2,500	2,225	-	-
Other payables, non-current (Note 2)	19,104	18,293	-	-
Total non-current liabilities	21,604	20,518	-	-
Current liabilities :				
Trade and other payables (Note 2)	74,595	77,655	2,113	2,646
Other financial liabilities, current	58,000	59,650	-	-
Other liabilities	6,938	4,557	-	-
Total current liabilities	139,533	141,862	2,113	2,646
Total liabilities	161,137	162,380	2,113	2,646
Total liabilities and equity	484,655	511,708	116,376	108,579
Note 1				
Trade receivables	34,955	53,174	-	-
Amount receivable from subsidiary	-	-	2,257	78
Other receivables	2,082	1,554	-	-
Trade and other receivables	37,037	54,728	2,257	78
Note 2				
Trade payables and accruals	52,727	58,120	1,764	2,262
Other payables	21,868	19,535	349	384
Trade and other payables, current	74,595	77,655	2,113	2,646
Other payables, non-current	19,104	18,293	-	-
Trade and other payables	93,699	95,948	2,113	2,646

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 December 2018		31 March 2018	
Secured	Unsecured	Secured	Unsecured
58,000	-	59,650	-

Amount repayable after one year

(RMB'000)

31 December 2018		31 March 2018	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 December 2018, the Group has aggregate secured short-term loans from financial institutions of RMB 58.0 million.

Secured short-term bank loans of RMB 58.0 million are secured using our subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology")'s land and buildings with net book value of approximately RMB 71.8 million. The secured short-term loans bear interest rate 4.785% 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		Group	
	3 months from 1 Oct 2018 to 31 Dec 2018 RMB'000	3 months from 1 Oct 2017 to 31 Dec 2017 RMB'000	9 months from 1 Apr 2018 to 31 Dec 2018 RMB'000	9 months from 1 Apr 2017 to 31 Dec 2017 RMB'000
Cash flows from operating activities				
Loss before income tax	(9,352)	(9,196)	(18,094)	(13,807)
Adjustments for :				
Amortisation expenses	643	699	2,027	2,021
Allowance for impairment on trade receivables	3,684	-	3,684	-
Allowance for impairment on trade receivables - reversal	(508)	(105)	(1,169)	(280)
Depreciation expense	4,473	4,550	13,800	13,584
Gain on disposal of property, plant and equipment	(71)	(91)	(71)	(411)
Interest expenses	1,216	966	3,508	2,552
Interest income	(72)	(70)	(221)	(211)
Inventories written-off	-	58	-	58
Provision for safety expenses	636	631	1,915	1,965
Net effect of exchange rate changes in translation of financial statements of Parent	11	(6)	37	(18)
Operating profit / (loss) before working capital changes	660	(2,564)	5,416	5,453
Inventories	2,134	(6,390)	7,050	(7,154)
Trade and other receivables	(4,448)	12,795	8,421	1,361
Other assets	2,611	1,065	(4,764)	2,514
Trade and other payables	(2,799)	101	(3,060)	6,422
Other liabilities	(1,183)	56	466	(1,355)
Cash generated (used in) / from operations	(3,025)	5,063	13,529	7,241
Income tax paid	(250)	(250)	(500)	(550)
Net cash (used in) / from operating activities	(3,275)	4,813	13,029	6,691
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	94	152	94	552
Purchase of property, plant and equipment	(3,834)	(3,823)	(9,569)	(6,688)
Interest received	72	70	221	211
Net cash used in investing activities	(3,668)	(3,601)	(9,254)	(5,925)
Cash flows from financing activities				
Proceeds from bank borrowings	20,000	21,650	58,000	59,650
Repayment of borrowings	(21,650)	(21,650)	(59,650)	(59,650)
Interest paid	(1,013)	(966)	(2,697)	(2,552)
Net cash used in financing activities	(2,663)	(966)	(4,347)	(2,552)
Net (decrease) / increase in cash	(9,606)	246	(572)	(1,786)
Cash and cash equivalents at beginning of the period	98,052	81,218	89,018	83,250
Cash and cash equivalents at end of the period	88,446	81,464	88,446	81,464

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

	Share capital	Statutory reserves	Capital reserve	Foreign exchange translation reserves	Retained earnings	Total
Group (RMB'000)						
Balance at 1 April 2018, as reported	116,849	44,117	44,000	835	143,527	349,328
Effect on adoption of SFRS(I) 9	-	-	-	-	(6,755)	(6,755)
Adjusted balance at 1 April 2018	116,849	44,117	44,000	835	136,772	342,573
Total comprehensive loss for the period	-	-	-	29	(9,461)	(9,432)
Balance at 30 September 2018	116,849	44,117	44,000	864	127,311	333,141
Total comprehensive loss for the period	-	-	-	12	(9,635)	(9,623)
Balance at 31 December 2018	116,849	44,117	44,000	876	117,676	323,518
Balance at 1 April 2017	116,849	44,117	44,000	852	163,355	369,173
Total comprehensive loss for the period	-	-	-	(13)	(5,310)	(5,323)
Balance at 30 September 2017	116,849	44,117	44,000	839	158,045	363,850
Total comprehensive loss for the period	-	-	-	(3)	(9,353)	(9,356)
Balance at 31 December 2017	116,849	44,117	44,000	836	148,692	354,494

	Share capital	Foreign exchange translation reserve	Retained earnings/ (Accumulated losses)	Total
Company (RMB'000)				
Balance at 1 April 2018	116,849	(4,377)	(6,539)	105,933
Total comprehensive income for the period	-	5,310	4,635	9,945
Balance at 30 September 2018	116,849	933	(1,904)	115,878
Total comprehensive loss for the period	-	509	(2,124)	(1,615)
Balance at 31 December 2018	116,849	1,442	(4,028)	114,263
Balance at 1 April 2017	116,849	(1,141)	(7,816)	107,892
Total comprehensive income for the period	-	(681)	5,086	4,405
Balance at 30 September 2017	116,849	(1,822)	(2,730)	112,297
Total comprehensive loss for the period	-	(741)	(1,807)	(2,548)
Balance at 31 December 2017	116,849	(2,563)	(4,537)	109,749

1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not Applicable.

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

	Group	
	31 December 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.

Save as disclosed in paragraph 5 below, 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.**

The Group has adopted Singapore Financial Reporting Standards (International) (“SFRS(I)”) and all the new and revised standards and Interpretations of SFRS(I) (“Int SFRS(I)”) that are relevant to its operations and effective for the financial period on or after 1 April 2018, where applicable. The adoption of these new and revised standards from the effective date is not expected to result in any material adjustments to the financial statements of the Group for the current financial reporting period.

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

The Group has opted for the exemption in SFRS(I) 1 allowing it not to restate comparative information in the FY2018 SFRS(I) financial statements when adopting SFRS(I) 9. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in opening retained earnings as at 1 April 2018.

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

	Group		Group	
	3 months ended 31 Dec 2018	3 months ended 31 Dec 2017	9 months ended 31 Dec 2018	9 months ended 31 Dec 2017
	RMB cents	RMB cents	RMB cents	RMB cents
Loss per ordinary share for the year based on net profit attributable to shareholders :				
Based on weighted average number of ordinary shares in issue	(20.59)	(19.99)	(40.80)	(31.33)
Weighted average number of ordinary shares in issue for basic earnings per share	46,800,000	46,800,000	46,800,000	46,800,000

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

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-**

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

	Group		Company	
	31 Dec 2018	31 March 2018	31 Dec 2018	31 March 2018
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued capital at the end of the financial year	691.28	746.43	244.15	226.35
Number of shares used in calculating net asset value	46,800,000	46,800,000	46,800,000	46,800,000

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

Revenue

Revenue for the 3-month period ended 31 December 2018 ("3Q2019") increased by approximately RMB 1.1 million or 2.7%, from RMB 41.2 million for the 3-month period ended 31 December 2017 ("3Q2018") to RMB 42.3 million in 3Q2019. The slight increase in revenue during 3Q2019 was mainly attributed to the increased sales of explosives devices such as boosters but partially offset by the decline in sales of industrial fuse and initiating explosive 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 piston non-electric detonators.

The breakdown and comparison of our revenue by the above product types and geographical segments between 3Q2019 and 3Q2018 and between 9-month period ended 31 December 2018 ("9M2019") and the 9-month period ended 31 December 2017 ("9M2018") are as follows:

<u>Business Segments</u>	3Q2019		3Q2018		% change
	RMB'000	%	RMB'000	%	
Explosives devices	22,349	52.8	15,251	37.0	46.5
Industrial fuse and initiating explosive devices	6,909	16.3	13,290	32.2	(48.0)
Industrial detonators	13,067	30.9	12,688	30.8	3.0
Others ⁽¹⁾	3	-	3	-	-
	42,328	100.0	41,232	100.0	2.7

Geographic Segments

Within PRC	21,651	51.2	31,168	75.6	(30.5)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	3,435	8.1	-	-	N.M.
Australia	17,242	40.7	10,064	24.4	71.3
	20,677	48.8	10,064	24.4	105.5
	42,328	100.0	41,232	100.0	2.7

<u>Business Segments</u>	9M2019		9M2018		% change
	RMB'000	%	RMB'000	%	
Explosives devices	59,943	46.7	47,110	34.1	27.2
Industrial fuse and initiating explosive devices	24,612	19.2	45,111	32.6	(45.4)
Industrial detonators	43,516	33.9	45,846	33.1	(5.1)
Others ⁽¹⁾	201	0.2	237	0.2	(15.2)
	128,272	100.0	138,304	100.0	(7.3)

Geographic Segments

Within PRC	74,355	58.0	101,162	73.1	(26.5)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	19,195	15.0	4,315	3.1	344.8
Australia	34,411	26.8	32,827	23.8	4.8
Others	311	0.2	-	-	N.M.
	53,917	42.0	37,142	26.9	45.2
	128,272	100.0	138,304	100.0	(7.3)

Notes :

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

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

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

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

Revenue (Cont'd)

a) Sales within PRC

During 3Q2019, sales within PRC decreased by approximately RMB 9.5 million or 30.5% from RMB 31.2 million in 3Q2018 to RMB 21.7 million in 3Q2019. For 9M2019, sales within PRC decreased by approximately RMB 26.8 million or 26.5% from RMB 101.2 million in 9M2018 to RMB 74.4 million in 9M2019.

The decrease in sales within PRC during 3Q2019 and 9M2019 were mainly attributed to the reduced PRC sales of industrial fuse and initiating explosive devices as some of our customers' mining operations were affected by additional safety measures implemented by the local authorities since the second quarter of FY2018. The new safety measures restricted the use of detonating cords for mining activities in these affected customers' sites, which led to lower demand of our industrial fuse and initiating explosive devices.

b) Sales through export distributors

During 3Q2019, sales through export distributors amounted to RMB 3.4 million. There were no sales through export distributors during 3Q2018.

During 9M2019, sales through export distributors increased by RMB 14.9 million or 344.8%, mainly due to more shipments of boosters to overseas customers through export distributor during the current period under review.

c) Sales to Australia

During 3Q2019 and 9M2019, sales to Australia increased by approximately RMB 7.2 million or 71.3% and RMB 1.6 million or 4.8% respectively. The higher sales to Australia was mainly due to the timing of scheduled shipments of boosters to Australia customers.

d) Sales to other countries

During 9M2019, sales to other countries registered revenue of approximately RMB 311,000. There was no sale to other countries during 9M2018.

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

Gross profit margin

During 3Q2019, the Group's gross profit margin improved from 14.3% to 23.3% mainly due to higher average selling prices for our products for the current quarter under review. The Group's gross profit margin during 9M2019 declined marginally by 0.7 percentage points to 19.3% from 20.0% for 9M2018.

Interest income / (Finance costs)

For 3Q2019 and 9M2019, there is no material changes to the interest income.

During 3Q2019 and 9M2019, finance costs increased by approximately RMB 250,000 and RMB 956,000 mainly due to imputed interest expense on financial liabilities measured at amortised cost and higher bank lending interest rates in the general market during the current period under review.

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 3Q2019, other gains relate to reversal of allowance for impairment on trade receivables of RMB 508,000, gain on disposal of property, plant and equipment of approximately RMB 71,000 and government grants of RMB 152,000. For 3Q2018, other gains relate to reversal of allowance for impairment on trade receivables of RMB 105,000, gain on disposal of property, plant and equipment of approximately RMB 91,000 and government grants of RMB 539,000.

For 9M2019, other gains relate to reversal of allowance for impairment on trade receivables of RMB 1.2 million, foreign exchange adjustment gain of approximately RMB 595,000, gain on disposal of property, plant and equipment of approximately RMB 71,000 and government grants of approximately RMB 363,000. For 9M2018, other gains relate to reversal of allowance for impairment on trade receivables of RMB 280,000, gain on disposal of property, plant and equipment of approximately RMB 411,000 and government grants of RMB 757,000.

For 3Q2019, other losses relate to allowance for impairment on trade receivables of approximately RMB 3.7 million and foreign exchange adjustment loss of approximately RMB 158,000. For 3Q2018, other losses relate to foreign exchange loss of RMB 402,000 and inventories written-off of RMB 58,000.

For 9M2019, other losses relate to allowance for impairment on trade receivables of approximately RMB 3.7 million. For 9M2018, other losses relate to foreign exchange loss of RMB 551,000 and inventories written-off of RMB 58,000.

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

Allowance for impairment on trade receivables for 3Q2019 and 9M2019 was based on a forward-looking expected credit loss ("ECL") model in accordance to the new SFRS(I) 9 which come into effect from 1 April 2018.

Operating expenses

Distribution costs for 3Q2019 increased by approximately RMB 481,000 or 8.2% mainly due to an increase in revenue for 3Q2019. The Group incurred higher freight and port charges due to increased export sales during 3Q2019. Distribution costs for 9M2019 decreased in line with the lower revenue for 9M2019.

Administrative expenses for 3Q2018 and 9M2018 remained relatively unchanged.

There was no material fluctuation for depreciation and amortisation expenses.

Income tax expenses

The income tax expenses for 3Q2019 and 9M2019 were mainly related to the provision of withholding tax for undistributed profits of the subsidiary to the Group as well as the income tax expenses on the taxable profits of the subsidiary.

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

Statement of Financial Position

Property, plant and equipment decreased by approximately RMB 4.3 million, mainly due to the depreciation charged for the current period under review of approximately RMB 13.8 million which was partially offset by the acquisition of property, plant and equipment of approximately RMB 9.6 million.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 2.0 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 15.2%, 22.5%, 8.5% and 53.8% respectively of our total current assets as at 31 December 2018.

Inventories decreased by approximately RMB 7.1 million or 22.0% to RMB 25.0 million as at 31 December 2018, as compared to RMB 32.1 million as at 31 March 2018. The decrease in inventories is mainly to lower finished goods as at 31 December 2018.

During the current quarter under review, trade and other receivables decreased by approximately RMB 17.7 million or 32.3% to RMB 37.0 million as at 31 December 2018. The decreased was mainly due to recovery of trade receivables and the allowance for impairment on trade receivables based on a forward-looking expected credit loss ("ECL") model in accordance to the new SFRS(I) 9 which come into effect from 1 April 2018. An allowance for impairment on trade receivables of approximately RMB 6.8 million was adjusted to opening retained earnings as at 1 April 2018 in accordance to SFRS(I) 9.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 4.8 million or 51.4% to RMB 14.0 million as at 31 December 2018 mainly due to higher prepayments for raw materials as at 31 December 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 19.1 million and deferred tax liabilities of RMB 2.5 million for the withholding tax on the dividend payable by our subsidiary in China.

As at 31 December 2018, our current liabilities comprised trade and other payables of approximately RMB 74.6 million, other current financial liabilities of approximately RMB 58.0 million and other liabilities of RMB 6.9 million.

Trade and other payables, current decreased marginally by approximately RMB 3.1 million or 3.9% during 9M2019.

As at 31 December 2018, other current financial liabilities of RMB 58.0 million relates to the secured bank loans of Yinguang Technology.

Other liabilities of RMB 6.9 million relate to the Group's provision for safety expenses, advances from customers and a deferred government grant. The increase of approximately RMB 2.4 million is mainly due to increase in advances from customers.

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 3Q2019, the Group has net cash used in operating activities of approximately RMB 3.3 million and net cash used in investing activities and financing activities of approximately RMB 3.7 million and RMB 2.7 million, respectively.

For 9M2019, the Group generated net cash from operating activities of approximately RMB 13.0 million, while net cash used in investing and financing activities of RMB 9.3 million and RMB 4.3 million, respectively.

The net cash used in operating activities for 3Q2019 was mainly due to the increase in trade and other receivables and decrease in trade and other payables during the three months ended 31 December 2018. The net cash from operating activities for 9M2019 was mainly due to the lower trade and other receivables and decreased in inventories during the 9 months ended 31 December 2018.

The net cash used in investing activities of approximately RMB 3.7 million and RMB 9.3 million during 3Q2019 and 9M2019, respectively were mainly due to the purchase of property, plant and equipment, partially offset by the proceeds from the disposal of property, plant and equipment and interest received.

The net cash used in financing activities during 3Q2019 and 9M2019 were mainly due to the payment of interest expenses and net repayment of bank loan of approximately RMB 1.65 million.

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

The current third quarter results for the 3-months period ended 31 December 2018 are in line with the Company's commentary as disclosed under paragraph 10 of the second quarter results announcement for the financial period ended 30 September 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 is gradually scaling up the production capabilities of this second automated boosters production line.

The Group has started the design of our third automated boosters production line and construction is expected to complete during the first quarter of the next financial year.

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

Potential impairment on our property, plant and equipment

1. Lower market demand for detonating cords

Since the second quarter of FY2018, the Group's sales of industrial fuse and initiating explosive devices, in particular detonating cords, had decreased significantly. The lower market demand for detonating cords was due to additional safety measures implemented by the local authorities that restricted the use of detonating cords for mining activities in some of our customers' sites.

As a result, this has led to lower sales contribution from our industrial fuse and initiating explosive devices product segment over the past few quarters.

To mitigate this situation, the management has been actively seeking other sales channels to market our detonating cords product. However, it is foreseeable that the lower market demand for detonating cords will continue to persist in the coming quarters.

2. New industry directive on detonators

Recently, the commercial explosives governing authority in China issued a directive recommending the new industry roadmap for detonators. In the directive, it was highlighted that all manufacturing and usage of detonators should be changed to digital electronic detonators for a higher level of safety standards as well as environmental reasons.

Currently, Yinguang Technology only manufactures non-electric detonators. With the introduction of this new directive, Yinguang Technology has started feasibility studies into the manufacturing of digital electronic detonators. The management is of the view that the new industry directive from the Chinese authority will have an impact to the commercial explosives industry and the associated detonator manufacturers in the near term.

The management is currently assessing the situation and the potential impairment impact on our detonating cords and non-electric detonators' property, plant and equipment. The management will continue to monitor the market conditions and update shareholders if there are any other material developments.

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"). On 31 January 2019, the Company released an announcement to update the status of the acquisition. For more information on the proposed acquisition of Laizhou Ping'an, please refer to the announcement on 18 June 2018 and 31 January 2019.

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/recommendeded, a statement to that effect and the reason(s) for the decision.

No dividend has been declared/recommendeded for the current financial period reported on as the Company is making losses.

13. Interested Person Transaction

		Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		3Q2019	3Q2018	3Q2019	3Q2018
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Dyno Nobel ⁽¹⁾	Sales of commercial explosives	-	-	7,037	-
Wulian Hanyue Blasting Services Co., Ltd ⁽²⁾	Sales of commercial explosives	-	-	-	2,462
		9M2019	9M2018	9M2019	9M2018
Dyno Nobel ⁽¹⁾	Sales of commercial explosives	-	-	17,185	7,548
Shandong Yinguang Security Services Co., Ltd ⁽²⁾	Provision of security services	-	6,500	6,200	-
Wulian Hanyue Blasting Services Co., Ltd ⁽²⁾	Sales of commercial explosives	-	5,060	1,903	2,735

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 2018.

⁽²⁾ 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(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited 3rd 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 FEBRUARY 2019**