



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2019 (“FY2019”)

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 FY2019 RMB'000	Audited FY2018 RMB'000	
Revenue	154,416	191,260	(19.3)
Cost of sales	(125,805)	(155,318)	(19.0)
Gross profit	28,611	35,942	(20.4)
<u>Other Items of Income</u>			
Interest income	293	283	3.5
Other gains – Note (i)	6,040	2,483	143.3
<u>Other Items of Expense</u>			
Distribution costs	(20,794)	(21,297)	(2.4)
Administrative expenses	(32,150)	(30,701)	4.7
Finance costs – Note (ii)	(5,015)	(3,355)	49.5
Other losses – Note (iii)	(124,225)	(3,345)	3613.8
Loss before tax	(147,240)	(19,990)	N.M.
Income tax income	(3,133)	162	N.M.
Loss after tax	(150,373)	(19,828)	N.M.
<u>Other comprehensive income</u>			
Foreign currency translation difference	36	(17)	N.M.
Total comprehensive loss for the year	(150,337)	(19,845)	N.M.
Note (i) – Other Gains			
Allowance for impairment on trade receivables – reversal	1,378	330	317.6
Foreign exchange adjustment gains	448	-	N.M.
Gain on disposal of land use rights	3,470	-	N.M.
Gain on disposal of property, plant and equipment	77	1,218	(93.7)
Government grants	667	935	(28.7)
	6,040	2,483	143.3
Note (ii) – Finance costs			
Interest expenses paid to financial institutions	(3,800)	(3,355)	13.3
Interest expenses on financial liabilities measured at amortised cost	(1,215)	-	N.M.
	(5,015)	(3,355)	49.5

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 FY2019 RMB'000	Audited FY2018 RMB'000	

Note (iii) – Other Losses

Foreign exchange adjustment losses	-	(1,540)	N.M.
Inventories written down	(139)	-	N.M.
Inventories written-off	(253)	(58)	336.2
Impairment on property, plant and equipment	(119,021)	-	N.M.
Property, plant and equipment written-off	(195)	(55)	254.5
Allowance for impairment on trade receivables – loss	(3,607)	(1,692)	113.2
Allowance for impairment on other receivables – loss	(1,010)	-	N.M.
	<u>(124,225)</u>	<u>(3,345)</u>	3613.8

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

Group		Increase/ (Decrease) %
Unaudited FY2019 RMB'000	Audited FY2018 RMB'000	

Allowance for impairment on trade receivables – loss	(3,607)	(1,692)	113.2
Allowance for impairment on other receivables – loss	(1,010)	-	N.M.
Allowance for impairment on trade receivables – reversal	1,378	330	317.6
Amortisation expenses	(2,728)	(2,719)	0.3
Depreciation expenses	(18,801)	(18,090)	3.9
Foreign exchange adjustment gain/(losses)	448	(1,540)	N.M.
Inventories written down	(139)	-	N.M.
Inventories written-off	(253)	(58)	336.2
Interest expense	(3,800)	(3,355)	13.3
Interest income from bank deposits	293	283	3.5
Interest expenses on financial liabilities measured at amortised cost	(1,215)	-	N.M.
Impairment on property, plant and equipment	(119,021)	-	N.M.
Property, plant and equipment written-off	(195)	(55)	254.5
Gain on disposal of land use rights	3,470	-	N.M.
Gain on disposal of property, plant and equipment	77	1,218	(93.7)
Over/(Under) adjustments of tax in respect of prior years	1,408	(842)	N.M.

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 2019 RMB'000	Audited 31 March 2018 RMB'000	Audited 1 April 2017 RMB'000	Unaudited 31 March 2019 RMB'000	Audited 31 March 2018 RMB'000	Audited 1 April 2017 RMB'000
ASSETS						
Non-current assets :						
Property, plant and equipment	101,680	228,186	207,940	-	76	113
Other assets, non-current	62,241	80,251	75,566	-	-	-
Investment in subsidiary	-	-	-	111,608	107,931	111,150
Deferred tax assets	15,756	18,189	17,327	-	-	-
Total non-current assets	179,677	326,626	300,833	111,608	108,007	111,263
Current assets :						
Assets held for sales	3,053	-	-	-	-	-
Inventories	22,912	32,068	35,353	-	-	-
Trade and other receivables (Note 1)	31,018	54,728	61,135	4,738	78	30
Other assets, current	13,127	9,268	20,365	199	136	143
Cash and cash equivalents	83,207	89,018	83,250	804	358	200
Total current assets	153,317	185,082	200,103	5,741	572	373
Total assets	332,994	511,708	500,936	117,349	108,579	111,636
EQUITY AND LIABILITIES						
Capital and reserves :						
Share capital	116,849	116,849	116,849	116,849	116,849	116,849
(Accumulated losses) /						
Retained earnings	(13,601)	143,527	163,355	(1,802)	(6,539)	(7,816)
Other reserves	88,988	88,952	88,969	(664)	(4,377)	(1,141)
Total equity	192,236	349,328	369,173	114,383	105,933	107,892
Non-Current liabilities :						
Deferred tax liabilities	2,175	2,225	2,075	-	-	-
Other payables, non-current (Note 2)	19,508	18,293	-	-	-	-
Total non-current liabilities	21,683	20,518	2,075	-	-	-
Current liabilities :						
Withholding tax payable	250	-	-	-	-	-
Trade and other payables (Note 2)	56,453	77,655	67,489	2,966	2,646	3,744
Other financial liabilities, current	58,000	59,650	59,650	-	-	-
Other liabilities	4,372	4,557	2,549	-	-	-
Total current liabilities	119,075	141,862	129,688	2,966	2,646	3,744
Total liabilities	140,758	162,380	131,763	2,966	2,646	3,744
Total liabilities and equity	332,994	511,708	500,936	117,349	108,579	111,636

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 2019 RMB'000	Audited 31 March 2018 RMB'000	Audited 1 April 2017 RMB'000	Unaudited 31 March 2019 RMB'000	Audited 31 March 2018 RMB'000	Audited 1 April 2017 RMB'000

Note 1

Trade receivables	29,276	53,174	53,284	-	-	-
Amount receivable from subsidiary	-	-	-	4,738	78	30
Other receivables	1,742	1,554	7,851	-	-	-
Trade and other receivables	31,018	54,728	61,135	4,738	78	30

Note 2

Trade payables and accruals	53,963	58,120	45,999	1,938	2,262	3,320
Other payables	2,490	19,535	21,490	1,028	384	424
Trade and other payables, current	56,453	77,655	67,489	2,966	2,646	3,744
Other payables, non-current	19,508	18,293	-	-	-	-
Trade and other payables, total	75,961	95,948	67,489	2,966	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 2019		31 March 2018		1 April 2017	
Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
58,000	-	59,650	-	59,650	-

Amount repayable after one year

(RMB'000)

31 March 2019		31 March 2018		1 April 2017	
Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
-	-	-	-	-	-

Details of any collateral

As at 31 March 2019, the Group has aggregate secured short-term loans from financial institutions of RMB 58.0 million.

Secured short-term loans of RMB 58.0 million are secured using our subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology")'s land and buildings with net book value of approximately RMB 65.8 million. The secured short-term loans bear interest rate 4.785% to 5.09% 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 FY2019 RMB'000	Audited FY2018 RMB'000
Cash flows from operating activities		
Loss before tax from continuing operations	(147,240)	(19,990)
Adjustments for :		
Allowance for impairment on trade and other receivables – loss	4,617	1,692
Allowance for impairment on trade receivables – reversal	(1,378)	(330)
Amortisation expenses	2,728	2,719
Depreciation expense	18,801	18,090
Gain on disposal of land use rights	(3,470)	-
Gain on disposal of property, plant and equipment	(77)	(1,218)
Property, plant and equipment written-off	195	55
Provision for safety expenses	2,471	2,656
Impairment on property, plant and equipment	119,021	-
Inventories written down / written-off	392	58
Net effect of exchange rate changes in translation of financial statements of parent	33	(15)
Interest expenses	5,015	3,355
Interest income	(293)	(283)
Operating cash flows before changes in working capital	815	6,789
Inventories	8,764	3,227
Trade and other receivables	13,716	5,045
Other assets	(3,859)	3,693
Trade and other payables	(4,192)	10,166
Other liabilities	(2,656)	(648)
Net cash flows from operations	12,588	28,272
Income taxes paid	(500)	(550)
Net cash flows from operating activities, continuing operations	12,088	27,722
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	151	1,666
Purchase of property, plant and equipment	(12,893)	(20,548)
Interest received	293	283
Net cash flows used in investing activities, continuing operations	(12,449)	(18,599)
Cash flows from financing activities		
Proceeds from bank borrowings	58,000	59,650
Repayment of borrowings	(59,650)	(59,650)
Interest paid	(3,800)	(3,355)
Net cash flows used in financing activities, continuing operations	(5,450)	(3,355)
Net (decrease) / increase in cash and cash equivalents	(5,811)	5,768
Cash and cash equivalents, statement of cash flows, beginning balance	89,018	83,250
Cash and cash equivalents, statement of cash flows, ending balance	83,207	89,018

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	(Accumulated losses) / 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)
Balance at 1 April 2018, as restated	116,849	44,117	44,000	835	136,772	342,573
Total comprehensive loss for the year	-	-	-	36	(150,373)	(150,337)
Balance at 31 March 2019	116,849	44,117	44,000	871	(13,601)	192,236
Balance at 1 April 2017	116,849	44,117	44,000	852	163,355	369,173
Total comprehensive loss for the year	-	-	-	(17)	(19,828)	(19,845)
Balance at 31 March 2018	116,849	44,117	44,000	835	143,527	349,328

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total
Company (RMB'000)				
Balance at 1 April 2018	116,849	(4,377)	(6,539)	105,933
Total comprehensive loss for the year	-	3,713	4,737	8,450
Balance at 31 March 2019	116,849	(664)	(1,802)	114,383
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

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 2019	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	
	FY2019	FY2018
	RMB cents	RMB cents
Loss per ordinary share for the year based on net loss attributable to shareholders :		
Based on weighted average number of ordinary shares in issue	(321.31)	(42.37)
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.**

	Group		Company	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	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	410.76	746.43	244.41	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

Our products can be categorised mainly into (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators. The breakdown of our revenue by the above-mentioned product types and geographical segments during the financial year ended 31 March 2018 ("FY2018") and financial year ended 31 March 2019 ("FY2019") are as follows:

Product Types	Group				% change
	FY2019		FY2018		
	RMB'000	%	RMB'000	%	
Explosive devices	70,755	45.8	78,971	41.3	(10.4)
Industrial fuse and initiating explosive devices	29,629	19.2	53,242	27.8	(44.4)
Industrial detonators	53,737	34.8	58,917	30.8	(8.8)
Others ⁽¹⁾	295	0.2	130	0.1	126.9
Total revenue	154,416	100.0	191,260	100.0	(19.3)

Geographical Segments	FY2019		FY2018		% change
	RMB'000	%	RMB'000	%	
	Within PRC	90,943	58.9	124,806	65.3
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	19,195	12.4	9,383	4.9	104.6
Australia	43,967	28.5	57,071	29.8	(23.0)
Others	311	0.2	-	-	N.M.
	63,473	41.1	66,454	34.7	(4.5)
Total revenue	154,416	100.0	191,260	100.0	(19.3)

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

During FY2019, revenue decreased by approximately RMB 36.8 million or 19.3% to RMB 154.4 million from RMB 191.3 million in FY2018. The decrease in revenue was mainly attributed to the decreased sales across all product ranges.

a) **Sales within PRC**

During FY2019, sales within PRC decreased by approximately RMB 33.9 million or 27.1%. The decrease in PRC sales were mainly attributed to the reduced PRC sales of industrial fuse and initiating explosive devices by RMB 23.6 million or 44.4% to RMB 29.6 million 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.

Explosives devices and industrial detonators decreased mainly due to The Shanghai Cooperation Organisation meeting in Qingdao during June 2018, where commercial explosive manufacturers in the Shandong province were given directives by the authorities to cease production temporary and as a result, our subsidiary had to temporarily cease production for about 10 days during June 2018 given the nature of our products.

b) **Sales through export distributors**

Sales through export distributors increased by approximately RMB 9.8 million or 104.6% from RMB 9.4 million during FY2018 to RMB 19.2 million during FY2019. The increment was mainly due to more shipments to South Africa during the current financial year.

c) **Sales to Australia**

Sales to Australia decreased by approximately RMB 13.1 million or 23.0% mainly due to lower number of scheduled shipments of boosters to Australia customers.

d) **Sales to other countries**

During FY2019, 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

The Group's gross profit margin deteriorate marginally from 18.8% to 18.5% which was mainly due to lower production units across all our product ranges.

Interest income / (Finance costs)

Interest income increased marginally by approximately RMB 10,000 or 3.5%.

Finance costs increased by approximately RMB 1.7 million or 49.5% due to the interest expenses on financial liabilities measure at amortised cost of RMB 1.2 million. Interest expenses paid to financial institutions increased by RMB 0.4 million mainly due to higher interest expense rates during the current financial year.

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 FY2019, other gains relate to write back of allowance for impairment on trade receivables of approximately RMB 1.4 million, foreign exchange adjustment gains of approximately RMB 0.4 million, gain on disposal of land use rights of approximately RMB 3.5 million, gain on disposal of property, plant and equipment of approximately RMB 77,000 and government grants of approximately RMB 667,000.

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.

For FY2019, other losses relate to inventories written down of approximately RMB 139,000, inventories written-off of approximately RMB 253,000, property, plant and equipment written-off of approximately RMB 195,000 and allowance for impairment on trade and other receivables and property, plant and equipment of approximately RMB 4.6 million and RMB 119.0 million.

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.

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 FY2019 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 and also based on the management's assessment on the Group's individual trade receivables as at the end of the financial year under review, in accordance to Singapore Financial Reporting Standards.

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. Gain on disposal of land use rights is due a piece of land being repossessed by the local government which is not utilised by our Group.

The management undertook an impairment assessment on the each of its production lines as a cash-generating unit ("CGU") and made an impairment allowance on property, plant and equipment of approximately RMB 119.0 million during the current financial year under review to ensure that the Group's balance sheet reflects the recoverable value of the assets.

Operating expenses

Distribution costs decreased marginally by approximately RMB 0.5 million or 2.4% from FY2018's RMB 21.3 million to FY2019's RMB 20.8 million.

Administrative expenses increased marginally by approximately RMB 1.4 million or 4.7% to approximately RMB 32.2 million in FY2019 as compared to the previous financial year mainly due to increment in depreciation expenses and research and development expenses. As more research activities of our products were undertaken in FY2019, there were higher research and development expenses incurred during the current financial year.

Depreciation expenses increased by approximately RMB 711,000 mainly due to acquisition of property, plant and equipment during the current financial year. Amortisation expenses remained relatively constant at RMB 2.7 million.

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)**

Income tax expenses

During FY2019, the Group registered a loss before tax of RMB 147.2 million (FY2018: RMB 20.0 million) and an income tax expenses of RMB 3.1 million (FY2018: Income tax income of RMB 0.2 million). The income tax expenses for FY2019 were mainly due to reversal of deferred tax assets during the current financial year, partially offset by the underprovision of deferred tax assets in prior years.

Statement of Financial Position

Property, plant and equipment decreased by approximately RMB 126.5 million, mainly due to an impairment on property, plant and equipment of approximately RMB 119.0 million and depreciation charged during the current financial year of approximately RMB 18.8 million, partially offset by the acquisition of property, plant and equipment of approximately RMB 12.9 million.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 18.0 million as the local government repossessed a piece of land as the land was not developed by the Group, the sale was offset against an amount of RMB 17.0 million payable for the same piece of land use rights and amortisation charge of approximately RMB 2.7 million.

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.

Assets held for sales, inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 2.0%, 14.9%, 20.2%, 8.6% and 54.3% respectively of our total current assets as at 31 March 2019.

Assets held for sales of approximately RMB 3.1 million relate to certain land and building that were not being in use but held for sale before December 2019.

Inventories decreased by approximately RMB 9.2 million or 28.6% to RMB 22.9 million as at 31 March 2019, as compared to RMB 32.1 million as at 31 March 2018. The decrease in inventories was mainly due to lower level of work-in-progress and finished goods as at 31 March 2019.

During the current year under review, trade and other receivables decreased by approximately RMB 23.7 million or 43.3% to RMB 31.0 million as at 31 March 2019. 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 3.9 million or 41.6% to RMB 13.1 million as at 31 March 2019. The increase is mainly due to the increase in advances to suppliers of approximately RMB 3.8 million to purchase raw materials.

As at 31 March 2019, our current liabilities comprised of withholding tax payable of RMB 250,000, trade and other payables of approximately RMB 56.5 million, other current financial liabilities of approximately RMB 58.0 million and other liabilities of RMB 4.4 million. Non-current liabilities comprised of deferred tax liabilities of RMB 2.2 million and other payables, non-current of approximately RMB 19.5 million.

Withholding tax payable of RMB 250,000 relates to the withholding tax payable to China tax authority for the declaration of dividend by our China subsidiary to Singapore holding company.

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)

Trade and other payables decreased by approximately RMB 21.2 million or 27.3% mainly due to the lower levels of production activities and operations during the current year under review.

As at 31 March 2019, other current financial liabilities of RMB 58.0 million relates to the secured bank loans of Yinguang Technology. Secured bank loans reduced slightly by RMB 1.7 million.

As at 31 March 2019, other liabilities of RMB 4.4 million relate to the Group's provision for safety expenses and advances from customers. Other liabilities reduced slightly by RMB 185,000 or 4.1%.

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. The increase is due to the imputed interest expenses on financial liabilities measured at amortised cost.

Cash flow

For the financial year ended 31 March 2019, the Group recorded net cash from operating activities of approximately RMB 12.1 million, net cash used in investing activities of approximately RMB 12.4 million and net cash used in financing activities of approximately RMB 5.5 million.

The net cash from operating activities is mainly due to the Group's improvement in trade receivables' turnover and lower inventories held on hand.

The net cash used in investing activities of RMB 12.4 million is mainly due to the purchase of property, plant and equipment of RMB 12.9 million, partially offset by the proceeds from disposal of property, plant and equipment and interest received.

The net cash used in financing activities of approximately RMB 5.5 million is due to the payment of interest expenses and the net repayment of bank borrowings of approximately RMB 1.7 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 financial year results for the 12-months period ended 31 March 2019 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 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. As our automated boosters production line is developed based on our own in-house technology with no other comparable, we are constantly monitoring and calibrating the technology to improve safety and production efficiency, hence it is difficult for the Group to estimate the duration required to fully scale-up the second production line given the sensitive product-nature of commercial explosives.

As mentioned in our 3Q2019 results announcement, the Group's third automated boosters production line is expected to be completed during the first quarter of the upcoming financial year, i.e. by 30 June 2019. However, due to teething issues related to the fabrication process of the boosters machineries, the third automated boosters production line will likely be delayed until the third quarter of the coming financial year, i.e. by 1 October 2019.

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.

Lower market demand for detonating cords to continue

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 and an impairment of property, plant and equipment of approximately RMB 57.4 million was made on detonating cords' property, plant and equipment during the current year under review.

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.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

No.

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

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

No.

(c) *Date payable*

Not Applicable.

(d) *Books closure date*

Not Applicable.

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

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

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)	
		FY2019	FY2018	FY2019	FY2018
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Dyno Nobel ⁽¹⁾	Sales of commercial explosives	—	—	24,018	13,092
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	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 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.
- (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	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
FY2019					
Revenue by segment	70,755	29,629	53,737	-	154,416
Recurring EBITDA ¹	19,845	8,801	8,212	210	37,068
Depreciation	(3,066)	(5,065)	(8,054)	(2,616)	(18,801)
Amortisation	-	-	-	(2,729)	(2,729)
Impairment of property, plant and equipment	-	(57,446)	(55,615)	(5,960)	(119,021)
ORBIT ²	16,779	(53,710)	(55,457)	(11,095)	(103,483)
Interest income				293	293
Finance costs				(5,015)	(5,015)
Unallocated corporate expenses				(39,035)	(39,035)
Loss before tax from continuing operations					(147,240)
Income tax income					(3,133)
Loss from continuing operations					(150,373)
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				283	283
Finance costs				(3,355)	(3,355)
Unallocated corporate expenses				(39,641)	(39,641)
Loss before tax from continuing operations					(19,990)
Income tax income					162
Loss from continuing operations					(19,828)

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	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
FY2019					
Total assets for reporting segments	71,621	1,597	5,395	-	78,613
Unallocated:					
Property, plant & equipment				32,679	32,679
Other assets, non-current				62,241	62,241
Deferred tax assets				15,756	15,756
Assets held for sales				3,053	3,053
Inventories				13,300	13,300
Trade and other receivables				31,018	31,018
Other assets				13,127	13,127
Cash and cash equivalents				83,207	83,207
Total group assets	71,621	1,597	5,395	254,381	332,994

FY2018					
Total assets for reporting segments	56,934	61,347	70,861	-	189,142
Unallocated:					
Property, plant & equipment				89,388	89,388
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	56,934	61,347	70,861	322,566	511,708

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	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
FY2019					
Total liabilities for reporting segments	1,864	2,114	4,197	-	8,175
Unallocated:					
Deferred tax liabilities				2,175	2,175
Withholding tax payable				250	250
Trade and other payables				67,786	67,786
Other liabilities				4,372	4,372
Other financial liabilities				58,000	58,000
Total group liabilities	1,864	2,114	4,197	132,583	140,758

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	2,335	2,127	5,440	152,478	162,380

Other Material Items and Reconciliations

RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
Other non-cash expenses other than depreciation/amortisation					
FY2019	-	(57,585)	(55,615)	(6,100)	(119,300)
FY2018	-	-	-	257	257
Expenditures for non-current assets:					
FY2019	11,806	-	163	924	12,893
FY2018	409	-	1,080	44,756	46,245

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	
	FY2019	FY2018
Continuing operations		
Within PRC	90,943	124,806
<u>Outside PRC</u>		
Sales through export distributors	19,195	9,383
Australia	43,967	57,071
Others *	311	-
Subtotal for all foreign countries	63,473	66,454
Total revenue	154,416	191,260

* Others include Kyrgyzstan, Mongolia, Indonesia

RMB'000	Non-current assets	
	FY2019	FY2018
Within PRC	163,921	308,361
Singapore	-	76
	163,921	308,437

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 FY2019, revenue from our explosives devices and industrial detonators decreased by approximately RMB 8.2 million or 10.4% and RMB 5.2 million or 8.8%, respectively mainly due to The Shanghai Cooperation Organisation meeting in Qingdao during June 2018. Overseas sales of explosives devices to Australia also declined during the current financial year. Our sales of industrial fuse and initiating explosives devices declined the most by RMB 23.6 million or 44.4% as some of our customers' mining operations were affected by additional safety measures implemented by the local authorities since the second quarter of FY2018.

Geographical segments

PRC sales deteriorated by approximately RMB 33.9 million or 27.1% while overseas sales declined by 4.5% or approximately RMB 3.0 million during FY2019. PRC and export revenue represent approximately 58.9% (FY2018: 65.3%) and 41.1% (FY2018: 34.7%) of the total revenue for FY2019. The increase in proportion of overseas sales over local PRC sales is mainly due to relatively higher sales of boosters to overseas customers.

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

16. A breakdown of sales.

	Group		Increase/ (Decrease)
	FY2019	FY2018	%
	RMB'000	RMB'000	
Revenue reported for first half year	85,944	97,072	(11.5)
Operating loss after tax reported for first half year	(9,461)	(5,310)	N.M.
Revenue reported for second half year	68,472	94,188	(27.3)
Operating loss after tax reported for second half year	(140,912)	(14,518)	N.M.

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

	FY2019	FY2018
	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	47	Son of Sun Bowen, a Non-Executive Non-Independent 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 2019**