



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2020 (“FY2020”)

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 FY2020 RMB'000	Audited FY2019 RMB'000	
Revenue	114,926	154,416	(25.6%)
Cost of sales	(81,864)	(125,805)	(34.9%)
Gross profit	33,062	28,611	15.6%
<u>Other Items of Income</u>			
Interest income	275	293	(6.1%)
Other gains – Note (i)	8,014	6,040	32.7%
<u>Other Items of Expense</u>			
Distribution costs	(15,886)	(20,794)	(23.6%)
Administrative expenses	(34,975)	(32,150)	8.8%
Finance costs – Note (ii)	(5,404)	(5,015)	7.8%
Other losses – Note (iii)	(5,953)	(124,225)	(95.2%)
Loss before tax	(20,867)	(147,240)	N.M.
Income tax expenses	(16,456)	(3,133)	425.2%
Loss after tax	(37,323)	(150,373)	N.M.
<u>Other comprehensive income</u>			
Foreign currency translation reserve, net of tax	(13)	36	N.M.
Total comprehensive loss for the year	(37,336)	(150,337)	N.M.
Note (i) – Other Gains			
Reversal of allowance for impairment on trade receivables	6,660	1,378	383.3%
Foreign exchange adjustment gains	340	448	(24.1%)
Gain on disposal of assets held for sales	631	-	N.M.
Gain on disposal of land use rights	-	3,470	N.M.
Gain on disposal of property, plant and equipment	33	77	(57.1%)
Government grants	211	667	(68.4%)
Inventories write down reversal	139	-	N.M.
	8,014	6,040	30.4%
Note (ii) – Finance costs			
Loan interest	(4,078)	(3,800)	7.3%
Interest expenses on financial liabilities measured at amortised cost	(1,297)	(1,215)	6.7%
Interest on lease liability	(29)	-	N.M.
	(5,404)	(5,015)	7.8%

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 FY2020 RMB'000	Audited FY2019 RMB'000	

Note (iii) – Other Losses

Inventories written down	-	(139)	N.M.
Inventories written-off	(102)	(253)	(59.7%)
Impairment on property, plant and equipment	(1,644)	(119,021)	(98.6%)
Property, plant and equipment written-off	-	(195)	N.M.
Allowance for impairment on trade receivables	(3,829)	(3,607)	6.2%
Allowance for impairment on other receivables	(378)	(1,010)	(62.6%)
	<u>(5,953)</u>	<u>(124,225)</u>	<u>(95.2%)</u>

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

Group		Increase/ (Decrease) %
Unaudited FY2020 RMB'000	Audited FY2019 RMB'000	

Allowance for impairment on trade receivables	(3,829)	(3,607)	6.2%
Allowance for impairment on other receivables	(378)	(1,010)	(62.6%)
Reversal of allowance for impairment on trade receivables	6,660	1,378	383.3%
Depreciation of property, plant & equipment	(5,776)	(18,801)	(69.3%)
Depreciation of right-of-use asset	(2,609)	(2,728)	(4.4%)
Foreign exchange adjustment gain	340	448	(24.1%)
Inventories write down reversal / (written down)	139	(139)	-
Inventories written-off	(102)	(253)	(59.7%)
Loan expense	(4,078)	(3,800)	7.3%
Interest on lease liability	(29)	-	N.M.
Interest income from bank deposits	275	293	(6.1%)
Amortisation of discounts relating to related party's loan	(1,297)	(1,215)	6.7%
Impairment on property, plant and equipment	(1,644)	(119,021)	(98.6%)
Property, plant and equipment written-off	-	(195)	N.M.
Gain on disposal of assets held for sales	631	-	N.M.
Gain on disposal of land use rights	-	3,470	N.M.
Gain on disposal of property, plant and equipment	33	77	(57.1%)

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 2020 RMB'000	Audited 31 March 2019 RMB'000	Unaudited 31 March 2020 RMB'000	Audited 31 March 2019 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	101,139	101,680	-	-
Right-of-use assets	60,281	62,241	444	-
Investment in subsidiary	-	-	112,237	111,608
Deferred tax assets	-	15,756	-	-
Total non-current assets	161,420	179,677	112,681	111,608
Current assets :				
Assets held for sales	-	3,053	-	-
Inventories	29,434	22,912	-	-
Trade and other receivables (Note 1)	24,273	31,018	1,662	4,738
Other assets, current	19,896	13,127	206	199
Cash and cash equivalents	76,486	83,207	615	804
Total current assets	150,089	153,317	2,483	5,741
Total assets	311,509	332,994	115,164	117,349
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Accumulated losses	(50,924)	(13,601)	(5,205)	(1,802)
Other reserves	88,975	88,988	(48)	(664)
Total equity	154,900	192,236	111,596	114,383
Non-Current liabilities :				
Deferred tax liabilities	2,625	2,175	-	-
Lease liability	253	-	253	-
Other payables, non-current (Note 2)	20,805	19,508	-	-
Total non-current liabilities	23,683	21,683	253	-
Current liabilities :				
Withholding tax payable	-	250	-	-
Trade and other payables (Note 2)	63,283	56,453	2,906	2,966
Other financial liabilities, current	58,000	58,000	-	-
Lease liability	205	-	205	-
Other liabilities	11,438	4,372	204	-
Total current liabilities	132,926	119,075	3,315	2,966
Total liabilities	156,609	140,758	3,568	2,966
Total liabilities and equity	311,509	332,994	115,164	117,349

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. (Cont'd)

	Group		Company	
	Unaudited 31 March 2020 RMB'000	Audited 31 March 2019 RMB'000	Unaudited 31 March 2020 RMB'000	Audited 31 March 2019 RMB'000
Note 1				
Trade receivables	22,761	29,276	-	-
Amount receivable from subsidiary		-	1,453	4,738
Other receivables	1,512	1,742	209	-
Trade and other receivables	24,273	31,018	1,662	4,738

Note 2

Trade payables and accruals	60,270	53,963	2,111	1,938
Other payables	3,013	2,490	795	1,028
Trade and other payables, current	63,283	56,453	2,906	2,966
Other payables, non-current	20,805	19,508	-	-
Trade and other payables	84,088	75,961	2,906	2,966

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 2020		31 March 2019	
Secured	Unsecured	Secured	Unsecured
58,000	-	58,000	-

Amount repayable after one year

(RMB'000)

31 March 2020		31 March 2019	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 March 2020, 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 61.4 million. The secured short-term loans bear interest rate 4.35% to 4.80% 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 FY2020 RMB'000	Audited FY2019 RMB'000
Cash flows from operating activities		
Loss before tax from continuing operations	(20,867)	(147,240)
Adjustments for :		
Allowance for impairment on trade and other receivables	4,207	4,617
Reverseal of allowance for impairment on trade receivables	(6,660)	(1,378)
Depreciation of property, plant & equipment	5,776	18,801
Depreciation of right-of-use assets	2,609	2,728
Gain on disposal of assets held for sales	(631)	-
Gain on disposal of land use rights	-	(3,470)
Gain on disposal of property, plant and equipment	(33)	(77)
Property, plant and equipment written-off	-	195
Provision for safety expenses	2,275	2,471
Impairment allowance on property, plant and equipment	1,644	119,021
Inventories (write down reversal) / written down	(139)	139
Inventories written-off	102	253
Net effect of exchange rate changes in translation of financial statements of parent	(13)	33
Interest expenses	5,404	5,015
Interest income	(275)	(293)
Operating cash flows before changes in working capital	(6,601)	815
Inventories	(6,485)	8,764
Trade and other receivables	9,198	13,716
Other assets	(6,597)	(3,859)
Trade and other payables	6,830	(4,192)
Other liabilities	4,791	(2,656)
Net cash flows from operations	1,136	12,588
Income taxes paid	(500)	(500)
Net cash flows from operating activities	636	12,088
Cash flows from investing activities		
Proceeds from disposal of assets held for sales	3,684	-
Proceeds from disposal of property, plant and equipment	33	151
Purchase of property, plant and equipment	(7,051)	(12,893)
Interest received	275	293
Net cash flows used in investing activities	(3,059)	(12,449)
Cash flows from financing activities		
Proceeds from bank borrowings	58,000	58,000
Repayment of borrowings	(58,000)	(59,650)
Repayment of lease liabilities - principal portion paid	(191)	-
Interest paid	(4,107)	(3,800)
Net cash flows used in financing activities	(4,298)	(5,450)
Net decrease in cash and cash equivalents	(6,721)	(5,811)
Cash and cash equivalents, statement of cash flows, beginning balance	83,207	89,018
Cash and cash equivalents, statement of cash flows, ending balance	76,486	83,207

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 reserve	(Accumulated losses) / Retained earnings	Total
Group (RMB'000)						
Balance at 1 April 2019	116,849	44,117	44,000	871	(13,601)	192,236
Total comprehensive loss for the year	-	-	-	(13)	(37,323)	(37,336)
Balance at 31 March 2020	116,849	44,117	44,000	858	(50,924)	154,900
Balance at 1 April 2018	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
		Share capital		Foreign currency translation reserve	Accumulated losses	Total
Company (RMB'000)						
Balance at 1 April 2019		116,849		(664)	(1,802)	114,383
Total comprehensive loss for the year		-		616	(3,403)	(2,787)
Balance at 31 March 2020		116,849		(48)	(5,205)	111,596
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

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 2020	31 March 2019
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)") 16, the accounting standard for leases which is effective for annual reporting period beginning on or after 1 June 2019.

SFRS(I) 16 introduces a single lessee accounting model. A lessee is required to recognise all leases on its statement of financial position to reflect its rights to use the leased assets ("ROU" assets) and the associated obligations for lease payments (lease liabilities), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, SFRS(I) 16 replaces the straight-line operating lease expenses with depreciation charge of ROU assets and interest expenses on lease liabilities.

The Group has adopted SFRS(I) 16 using the modified retrospective approach as of 1 June 2019, with no restatement of comparative information. Upon adoption of SFRS(I) 16 on 1 June 2019, the Group recognised right-of-use assets of RMB 649,000 and lease liabilities (current and non-current) of RMB 649,000.

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	
	Unaudited FY2020	Audited FY2019
	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	(79.75)	(321.31)
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	
	Unaudited 31 March 2020	Audited 31 March 2019	Unaudited 31 March 2020	Audited 31 March 2019
	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	330.98	410.76	238.45	244.41
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 2019 ("FY2019") and financial year ended 31 March 2020 ("FY2020") are as follows:

Product Types	Group				% change
	FY2020		FY2019		
	RMB'000	%	RMB'000	%	
Explosive devices	51,673	45.0%	70,755	45.8	(27.0%)
Industrial fuse and initiating explosive devices	18,822	16.4%	29,629	19.2	(36.5%)
Industrial detonators	44,427	38.6%	53,737	34.8	(17.3%)
Others ⁽¹⁾	4	-	295	0.2	(98.6%)
Total revenue	114,926	100.0%	154,416	100.0	(25.6%)

Geographical Segments	Group				% change
	FY2020		FY2019		
	RMB'000	%	RMB'000	%	
Within PRC	79,140	68.9%	90,943	58.9	(13.0%)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	3,399	2.9%	19,195	12.4	(82.3%)
Australia	30,652	26.7%	43,967	28.5	(30.3%)
Others	1,735	1.5%	311	0.2	457.9%
	35,786	31.1%	63,473	41.1	(43.6%)
Total revenue	114,926	100.0%	154,416	100.0	(25.6%)

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 FY2020, revenue decreased by approximately RMB 39.5 million or 25.6% to RMB 114.9 million from RMB 154.4 million in FY2019. The decrease in revenue was mainly attributed to the lower sales recorded across all of our product ranges. Notably, the sales of explosives devices decreased during FY2020 mainly due to the temporarily shortage of explosives raw materials which affected our production schedule for the manufacturing of explosives devices, sales of industrial fuse and initiating explosive devices decreased during FY2020 as some of our customers' mining operations continue to be affected by additional safety measures implemented by the local authorities since the second quarter of FY2018, as disclosed in our earlier announcements. Sales of industrial detonators decreased by approximately RMB 9.3 million or 17.3% as some of our customers have started to switch to the use of digital electronic detonators as directed by the Chinese industry regulators as announced earlier.

As announced by the Company on 14 February 2020 and 17 February 2020, the current outbreak of the 2019 Novel Coronavirus ("COVID-19") had delayed the commencement of our production activities in China as directed by the relevant Chinese authorities. The Group's production activities were temporarily halted during the Chinese New Year/Spring Festival holidays and due to the COVID-19, the Group only progressively resumed our operations from 17 February 2020 after the approval was granted by the relevant authorities. Post resumption, the delay in the commencement of our production activities and the additional safety precautionary measures imposed on our production facilities had affected our manufacturing capacity since February 2020.

a) **Sales within PRC**

During FY2020, sales within PRC decreased by approximately RMB 11.8 million or 13.0%. The decrease in PRC sales were mainly attributed to lower PRC sales of industrial fuse and initiating explosive devices by approximately RMB 10.8 million or 36.5% and lower PRC sales of industrial detonators by approximately RMB 7.3 million or 14.5%. The decrease is partially offset by the increase in PRC sales of boosters by approximately RMB 6.6 million or 64.2%.

PRC sales of boosters increased mainly due to higher sales made to one of our PRC customers.

b) **Sales through export distributors and sales to Australia**

Sales through export distributors and sales to Australia decreased by approximately RMB 15.8 million or 82.3% and RMB 13.3 million or 30.3%, respectively. The decrease was mainly due to the temporarily shortage of explosives raw materials which affected our production schedule for the manufacturing of explosives devices, in particular boosters which were the main products that the Group exports to overseas customers.

c) **Sales to other countries**

During FY2020, sales to other countries increased by RMB 1.4 million from FY2019's RMB 311,000 to FY2020's RMB 1.7 million. Sales to other countries increased due to sales to a new overseas customer.

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 FY2020, the Group's gross profit margin improved by approximately 10.3 percentage points, from 18.5% during FY2019 to 28.8% in FY2020. With the impairment allowance made on the property, plant and equipment during the last financial year, depreciation expenses that were charged to costs of sales decreased significantly during FY2020, resulting in the improvement of the Group's gross profit margin.

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)**

Interest income / (Finance costs)

Interest income decreased marginally by approximately RMB 18,000 or 6.1%.

Finance costs increased marginally by approximately RMB 389,000 or 7.8% to RMB 5.4 million in FY2020 from RMB 5.0 million in FY2019. Of which, interest expenses paid to financial institution increased marginally by approximately RMB 278,000 or 7.3% and interest expenses on financial liabilities measured at amortised cost increased marginally by approximately RMB 82,000 or 6.7%. During FY2020, interest on lease liability of RMB 29,000 is recognised in accordance to SFRS(I) 16.

Other gains / (Other losses)

For FY2020, other gains relate to write back of allowance for impairment on trade receivables of approximately RMB 6.7 million, foreign exchange adjustment gains of approximately RMB 0.3 million, gain on disposal of assets held for sales of approximately RMB 0.6 million, gain on disposal of property, plant and equipment of approximately RMB 33,000, government grants of approximately RMB 211,000 and inventories write down reversal of RMB 139,000.

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 FY2020, other losses relate to inventories written-off of approximately RMB 102,000, impairment on property, plant and equipment of approximately RMB 1.6 million, allowance for impairment on trade receivables of approximately RMB 3.8 million and allowance for impairment on other receivables of approximately RMB 378,000.

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.

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 ad hoc government grants for various purposes including safety awareness.

Allowances for impairment on trade receivables were 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 (International).

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 during FY2019 was due a piece of land being repossessed by the local government which is not utilised by our Group. Gain on disposal of assets held for sales relate to assets held for sales as at 31 March 2019 being disposed of during the current financial year.

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 1.6 million (FY2019: 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.

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)**

Operating expenses

In line with decrease in revenue, distribution costs decreased by approximately RMB 4.9 million or 23.6% from FY2019's RMB 20.8 million to FY2020's RMB 15.9 million.

Administrative expenses increased marginally by approximately RMB 2.8 million or 8.8% to approximately RMB 35.0 million in FY2020 as compared to the previous financial year mainly due to an increase in research and development expenses. As more research and development activities of our products were undertaken in FY2020, there were higher research and development expenses incurred during the current financial year.

Depreciation of property, plant & equipment decreased by approximately RMB 13.0 million mainly due to impairment allowance made on the property, plant and equipment during the last financial year.

Depreciation of right-of use assets decreased by approximately RMB 119,000 or 4.4% mainly due to the land use rights disposed of and transferred to assets held for sales during the last financial year.

Income tax expenses

During FY2020, the income tax expenses of RMB 16.5 million relates mainly to the reversal of deferred tax assets during the current financial year. The income tax expenses for FY2019 were mainly due to reversal of deferred tax assets, partially offset by the overprovision of deferred tax assets in prior years.

Statement of Financial Position

Property, plant and equipment decreased by approximately RMB 0.5 million, mainly due to the depreciation charged for the current year under review of approximately RMB 5.8 million and the impairment allowance on property, plant & equipment of approximately RMB 1.6 million, which was partially offset by the acquisition of property, plant and equipment of approximately RMB 7.0 million.

Right-of-use assets was recognised for land use rights and lease commitments for Singapore's rented office space in accordance with SFRS(I) 16. The Group has reclassified the land use rights' carrying value of RMB 62.24 million as at 31 March 2019 to right-of-use assets on date of initial application of SFRS(I) 16. The decreased in right-of-use assets were mainly due to depreciation of right-of-use assets during the current financial year of approximately RMB 2.6 million, partially offset by increase in lease commitments for Singapore's rented office space of approximately RMB 0.4 million.

Deferred tax assets as at 31 March 2019 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. The deferred tax assets were fully reversed as at 31 March 2020 after assessing the probability of future economic benefits that could arise from the deferred tax assets.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 19.6%, 16.2%, 13.2% and 51.0% respectively of our total current assets as at 31 March 2020.

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 during FY2020.

Inventories increased by approximately RMB 6.5 million or 28.5% to RMB 29.4 million as at 31 March 2020, as compared to RMB 22.9 million as at 31 March 2019. The increase in inventories was mainly due to an increment in raw materials and finished goods. Higher raw materials and finished goods level are mainly due to anticipated higher production and shipment schedules subsequent to 31 March 2020 as a result of resumption of operations due to COVID-19 as explained earlier.

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)

During the current year under review, trade and other receivables decreased by approximately RMB 6.7 million or 21.7% to RMB 24.3 million as at 31 March 2020. The decreased was mainly due to recovery of trade receivables during the current financial year.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 6.8 million or 51.6% to RMB 19.9 million as at 31 March 2020. The increase is mainly due to increase in advance payment to suppliers to secure the necessary raw materials for production.

As at 31 March 2020, our current liabilities comprised of trade and other payables of approximately RMB 63.3 million, other current financial liabilities of approximately RMB 58.0 million, lease liabilities of approximately RMB 205,000 and other liabilities of RMB 11.4 million. Non-current liabilities comprised of deferred tax liabilities of RMB 2.6 million, lease liabilities of approximately RMB 253,000 and other payables, non-current of approximately RMB 20.8 million.

Trade and other payables increased by approximately RMB 7.0 million or 12.5% mainly due to the increasing levels of production activities and operations as a result of resumption of operations due to COVID-19 as explained earlier.

As at 31 March 2020, other current financial liabilities of RMB 58.0 million relates to the secured bank loans of Yinguang Technology.

Lease liability was recognised in accordance to SFRS(I) 16, and was recognised together with the right-of-use assets in relation to the capitalisation of obligations under operating lease commitments for Singapore's rental office space.

As at 31 March 2020, other liabilities of RMB 11.4 million relate to the Group's provision for safety expenses and advances from customers. Other liabilities increased by RMB 6.9 million or 157.0% mainly due to increase in advances from customers for the purchase of our commercial explosives products.

Deferred tax liabilities of RMB 2.6 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 2020, the Group recorded net cash from operating activities of approximately RMB 0.6 million, net cash used in investing activities of approximately RMB 3.1 million and net cash used in financing activities of approximately RMB 4.3 million.

The net cash from operating activities is mainly due to the Group's improvement in trade receivables turnover and increase in trade and other payables, partially offset by the cash used for higher inventories and higher cash prepaid to secure raw materials for future manufacturing needs.

The net cash used in investing activities of RMB 3.1 million is mainly due to the purchase of property, plant and equipment of RMB 7.1 million, partially offset by the proceeds from disposal of assets held for sale and property, plant and equipment and interest received during the current financial year.

The net cash used in financing activities of approximately RMB 4.3 million was mainly due to the payment of interest expenses of approximately RMB 4.1 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 2020 are in line with the Company's commentaries as disclosed under paragraph 10 of the second quarter results announcement for the financial period ended 30 September 2019 and the announcements on the Update on 2019 Novel Coronavirus (COVID-19) on the Group's production activities made by the Company on 14 February 2020 and 17 February 2020.

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 boosters production facilities

While the management has the intention to gradually increase the production capacities for both automated booster production lines currently in operation, the temporary shortage of explosives raw materials (as previously announced) and COVID-19 have affected our production schedule and led to lower production of explosive devices. Hence, the management had decided to slow down the installation for the third automated booster production line and postpone the completion until a later date. The management will keep our Shareholders updated on the progress of the third automated booster production line in due course.

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, in which the proposed acquisition will be postponed. For more information on the proposed acquisition of Laizhou Ping'an, please refer to the announcements 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.

Industry directive on detonators

As announced in our third quarter results announcement released on 14 February 2019, 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 on our sales of non-electric detonators. Impairment allowance on property, plant and equipment related to industrial detonators of approximately RMB 55.6 million and RMB 1.6 million were recognised during FY2019 and FY2020, respectively.

We will keep our Shareholders updated once we have any material update on the industry detonators.

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 as the Company is making losses.

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)	
		FY2020	FY2019	FY2020	FY2019
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Dyno Nobel ⁽¹⁾	Sales of commercial explosives	—	—	—	24,018
Shandong Yinguang Security Services Co., Ltd ⁽²⁾	Provision of security services	—	—	6,200	6,200
Wulian Hanyue Blasting Services Co., Ltd ⁽²⁾	Sales of commercial explosives	—	—	—	1,903

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. Transactions with Dyno Nobel will cease to be considered as Interested Person Transactions after the divestment of shares by DNX Australia Pty Ltd on 15 March 2019.

⁽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 2019.

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 three major operating segments classified according to the usage of our products. The three segments are (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.

Profit or Loss from Continuing Operations and Reconciliations

RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
FY2020					
Revenue by segment	51,673	18,822	44,427	4	114,926
Recurring EBITDA ¹	19,316	4,697	7,905	2	31,920
Depreciation	(3,708)	-	-	(4,677)	(8,385)
Impairment allowance on property, plant and equipment	-	-	(1,644)	-	(1,644)
ORBIT ²	15,608	4,697	6,261	(4,675)	21,891
Interest income				275	275
Finance costs				(5,404)	(5,404)
Unallocated corporate expenses				(37,629)	(37,629)
Loss before tax from continuing operations					(20,867)
Income tax income					(16,456)
Loss from continuing operations					(37,323)

FY2019					
Revenue by segment	70,755	29,629	53,737	295	154,416
Recurring EBITDA ¹	19,845	8,801	8,212	210	37,068
Depreciation	(3,066)	(5,065)	(8,054)	(5,344)	(21,529)
Impairment of property, plant and equipment	-	(57,446)	(55,615)	(5,960)	(119,021)
ORBIT ²	16,779	(53,710)	(55,457)	(11,094)	(103,482)
Interest income				293	293
Finance costs				(5,015)	(5,015)
Unallocated corporate expenses				(39,036)	(39,036)
Loss before tax from continuing operations					(147,240)
Income tax income					(3,133)
Loss from continuing operations					(150,373)

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
FY2020					
Total assets for reporting segments	76,736	3,282	7,305	-	87,323
Unallocated:					
Property, plant & equipment				31,088	31,088
Right-of-use assets				60,281	60,281
Inventories				12,162	12,162
Trade and other receivables				24,273	24,273
Other assets				19,896	19,896
Cash and cash equivalents				76,486	76,486
Total group assets	76,736	3,282	7,305	224,186	311,509

FY2019					
Total assets for reporting segments	71,621	1,597	5,395	-	78,613
Unallocated:					
Property, plant & equipment				32,679	32,679
Right-of-use assets				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

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
FY2020					
Total liabilities for reporting segments	2,255	1,846	4,266	-	8,367
Unallocated:					
Deferred tax liabilities				2,625	2,625
Trade and other payables				75,721	75,721
Other liabilities				11,438	11,438
Other financial liabilities				58,000	58,000
Lease liabilities				458	458
Total group liabilities	2,255	1,846	4,266	148,242	156,609

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

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					
FY2020	-	-	(1,644)	3,015	1,371
FY2019	-	(57,585)	(55,615)	(6,100)	(119,300)
Expenditures for non-current assets:					
FY2020	4,852	20	1,645	534	7,051
FY2019	11,806	-	163	924	12,893

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	
	FY2020	FY2019
Continuing operations		
Within PRC	79,140	90,943
<u>Outside PRC</u>		
Sales through export distributors	3,399	19,195
Australia	30,652	43,967
Others *	1,735	311
Subtotal for all foreign countries	35,786	63,473
Total revenue	114,926	154,416

* Others include Kyrgyzstan, Mongolia, Indonesia

RMB'000	Non-current assets	
	FY2020	FY2019
Within PRC	160,976	163,921
Singapore	444	-
	161,420	163,921

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 FY2020, revenue from our explosive devices decreased by RMB 19.1 million or 27.0% during FY2020 mainly due to temporary shortage of explosives raw materials which affected our production schedule for the manufacturing of explosives devices. Industrial fuse and initiating explosive devices decreased by RMB 10.8 million or 36.5% as some of our customers' mining operations were affected by additional safety measures implemented by the local authorities since the second quarter of FY2018. Industrial detonators decreased by approximately RMB 9.3 million or 17.3% was mainly due to general market condition. Sales of industrial detonators decreased by approximately RMB 9.3 million or 17.3% as some of our customers started to switch to the use of digital electronic detonators as directed by the Chinese industry regulators as announced earlier.

Geographical segments

PRC sales deteriorated by approximately RMB 11.8 million or 13.0% while overseas sales declined by 43.6% or approximately RMB 27.7 million during FY2020. PRC and export revenue represent approximately 68.9% (FY2019: 58.9%) and 31.1% (FY2019: 41.1%) of the total revenue for FY2020. The increase in proportion of local PRC sales over overseas sales was mainly due to decrease sales of explosive devices which is the main export segment.

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

16. A breakdown of sales.

	Group		Increase/ (Decrease)
	FY2020	FY2019	%
	RMB'000	RMB'000	
Revenue reported for first half year	56,963	85,944	(33.7)
Operating loss after tax reported for first half year	(6,980)	(9,461)	N.M.
Revenue reported for second half year	57,963	68,472	(15.3)
Operating loss after tax reported for second half year	(30,343)	(140,912)	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

	FY2020	FY2019
	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	48	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.

20. **Additional Information Required On Acquisitions and Realisations Pursuant to Rule 706A**

On 14 January 2020, the Company announced that our wholly-owned subsidiary, Shandong Yinguang Technology Co., Ltd had incorporated a new wholly-owned subsidiary Shandong Yinguang Safety Advisory Co., Ltd (山东银光安全咨询有限公司). For more information, please refer to the Company's announcement on 14 January 2020.

Other than the above, the Company did not acquire or dispose of any shares during FY2020 which would result in any company becoming or ceasing to be a subsidiary or associated company of the Company, or increase or reduce the Company's shareholding percentage in any subsidiary or associated company.

**BY ORDER OF THE BOARD
BAO HONGWEI
MANAGING DIRECTOR
30 JULY 2020**