

CIRCULAR DATED 18 APRIL 2019

THIS CIRCULAR IS ISSUED BY FABCHEM CHINA LIMITED (THE “COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF CEL IMPETUS CORPORATE FINANCE PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company (“Shares”) held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by the CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with the CDP, you should immediately forward this Circular to the purchaser, the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee. However, such documents should not be forwarded or transmitted to any jurisdiction outside of Singapore.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



FABCHEM CHINA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200413128G)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY CONDITIONAL CASH OFFER

by

TRIPLE VISION PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201812334H)

for all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled, or agreed to be acquired by Triple Vision Pte. Ltd.

Independent Financial Adviser to the Independent Directors

CICF

CEL Impetus Corporate Finance Pte Ltd

CEL IMPETUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201631484Z)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 3 MAY 2019, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY THE OFFEROR. ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY SUCH TIME AND DATE.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated.

“9M2019”	: The nine (9) months ended 31 December 2018
“9M2019 Results”	: The unaudited consolidated financial statements of the Group for 9M2019
“Acquisition”	: Shall have the meaning ascribed to it in Section 1.1(a) of this Circular
“ACRA”	: The Accounting and Corporate Regulatory Authority of Singapore
“Business Day”	: A day (other than Saturday, Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
“CDP”	: The Central Depository (Pte) Limited
“Circular”	: This circular to the Shareholders dated 18 April 2019 from the Company containing, amongst other things, the recommendation from the Independent Directors to the Shareholders and the advice of the IFA to the Independent Directors
“Closing Date”	: 5.30 p.m. (Singapore time) on 3 May 2019 , or such later date(s) as may be announced from time to time by the Offeror, such date being the last day for the lodgement of acceptances of the Offer
“Code”	: The Singapore Code on Take-overs and Mergers
“Companies Act”	: Companies Act, Chapter 50 of Singapore
“Company”	: Fabchem China Limited
“Company Securities”	: (a) Shares; (b) securities which carry voting rights in the Company; and (c) convertible securities, warrants, options or derivatives in respect of the Shares or securities which carry voting rights in the Company
“Concert Parties”	: Parties acting or deemed to be acting in concert with the Offeror in connection with the Offer
“Constitution”	: The constitution of the Company
“CPF”	: Central Provident Fund
“CPFIS”	: CPF Investment Scheme
“CPFIS Investors”	: Investors who purchased Shares using their CPF contributions pursuant to the CPFIS
“Directors”	: The directors of the Company as at the Latest Practicable Date
“FAA”	: Form of Acceptance and Authorisation for Offer Shares which is issued to Shareholders whose Offer Shares are deposited with CDP and which forms part of the Offer Document

DEFINITIONS

“FAT”	:	Form of Acceptance and Transfer for Offer Shares which is issued to Shareholders whose Offer Shares are not deposited with CDP and which forms part of the Offer Document
“FY”	:	Financial year ended 31 March
“Group”	:	The Company and its subsidiaries from time to time
“IFA”	:	CEL Impetus Corporate Finance Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer
“IFA Letter”	:	The letter dated 18 April 2019 from the IFA to the Independent Directors containing, <i>inter alia</i> , the advice of the IFA to the Independent Directors in respect of the Offer, as set out in Appendix A to this Circular
“Independent Directors”	:	The Directors who are considered independent for the purposes of making the recommendation to the Shareholders in respect of the Offer, namely: (i) Wee Phui Gam; (ii) Bao Hongwei; (iii) Sun Bowen; and (iv) Jiang Rongguang
“Latest Practicable Date”	:	11 April 2019, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the Mainboard of the SGX-ST in force as at the Latest Practicable Date
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer”	:	The mandatory conditional cash offer made by the Offeror to acquire all the Offer Shares, on the terms and conditions set out in the Offer Document and the Relevant Acceptance Forms, as such offer may be amended, extended and revised from time to time by the Offeror
“Offer Announcement”	:	The announcement relating to the Offer released by the Offeror, on the Offer Announcement Date
“Offer Announcement Date”	:	15 March 2019
“Offer Document”	:	The offer document dated 5 April 2019, and any other document(s) which may be issued by the Offeror, to amend, revise, supplement or update such offer document(s) from time to time
“Offer Price”	:	S\$0.158 in cash for each Offer Share
“Offer Shares”	:	All Shares, other than those already owned or agreed to be acquired by the Offeror

DEFINITIONS

“Offeror”	: Triple Vision Pte. Ltd.
“Offeror Securities”	: (a) Offeror Shares; (b) securities which carry voting rights in the Offeror; and (c) convertible securities, warrants, options and derivatives in respect of the Offeror Shares or securities which carry voting rights in the Offeror
“Offeror Shares”	: Issued and paid-up ordinary shares in the capital of the Offeror
“Overseas Shareholders”	: Shareholders whose addresses are outside Singapore, as appearing on the Register or, as the case may be, in the records of CDP
“Register”	: The register of Shareholders maintained by the Share Registrar
“Relevant Acceptance Forms”	: The FAA and/or the FAT (as the case may be)
“SFA”	: Securities and Futures Act, Chapter 289 of Singapore
“SGXNET”	: A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share Registrar”	: Boardroom Corporate & Advisory Services Pte. Ltd., the share registrar of the Company, located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623
“Shareholders”	: Persons who are registered as holders of Shares in the Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	: Issued and paid-up ordinary shares in the capital of the Company
“SIC”	: Securities Industry Council of Singapore
“SRS”	: Supplementary Retirement Scheme
“SRS Investors”	: Investors who have purchased Shares using their SRS contributions pursuant to the SRS
“Substantial Shareholder”	: A person who has an interest in the Shares of not less than five per cent (5%) of the total number of issued voting Shares (excluding treasury shares, if any)
“S\$” and “cents”	: Singapore dollars and cents respectively, being the lawful currency of Singapore
“Valuation Summary”	: A summary of the valuation conducted by the Valuer, as set out in Appendix E to this Circular
“Valuer”	: AVA Associates Limited
“%” or “per cent”	: Percentage or per centum

DEFINITIONS

Acting in Concert and Associates. Unless otherwise defined, the expressions “**acting in concert**” and the term “**associates**” shall have the same meanings as ascribed to them respectively in the Code.

Announcements and notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Depository related terms. The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in section 81SF of the SFA.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa* and words indicating a specific gender shall, where applicable, include the other genders (male, female or neuter). References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in figures included in this Circular between the listed amounts and their totals are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders (including persons whose Shares are deposited with CDP or who have purchased the Shares on the SGX-ST).

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision for the time being amended, modified, supplemented or re-enacted. Any word defined in the Companies Act, the Code, the Listing Manual, the SFA, or any such statutory or regulatory modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Code, the Listing Manual, the SFA or that modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary, wholly owned subsidiary and related corporation. References to “**subsidiary**”, “**wholly owned subsidiary**” and “**related corporation**” shall have the meanings ascribed to them respectively in sections 5, 58 and 6 of the Companies Act.

Time and date. Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, unless otherwise stated.

Total number of Shares and percentage of Shares. In this Circular, the total number of Shares as at the Latest Practicable Date is 46,800,000 (based on the results of the instant information search of the Company dated the Latest Practicable Date conducted with ACRA). Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 46,800,000 Shares as at the Latest Practicable Date. As at the Latest Practicable Date, there are no treasury shares held in the share capital of the Company.

Reproduced statements. Statements which are reproduced in their entirety or as excerpts from the Offer Document, the IFA Letter, the 9M2019 Results and the Constitution are set out in this Circular within quotes and in *italics*, and all capitalised terms and expressions used within these reproduced statements and not defined herein shall have the same meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “if”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

Given the risks and uncertainties that may cause the actual results, performance or achievements of the Company and/or Group to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, Shareholders are advised not to place undue reliance on those statements. Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and/or any regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of Offer Document	:	5 April 2019 (Friday)
Date of despatch of this Circular	:	18 April 2019 (Thursday)
Closing Date and time	:	5.30 p.m. (Singapore time) on 3 May 2019 (Friday), or such later date(s) as may be announced from time to time by the Offeror, such date being the last day for the lodgement of acceptances for the Offer.
Date of settlement of consideration for valid acceptances of the Offer	:	<p>(i) In respect of valid acceptances of the Offer which are complete in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, in accordance with its terms within 10 days after such date; or</p> <p>(ii) In respect of valid acceptances of the Offer which are complete in all respects and are received after the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Closing Date, within 10 days of the date of such receipt.</p>

Please refer to paragraph 2.1 of Appendix 1 to the Offer Document on page 19 therein, for further information on the settlement of the Offer.

LETTER TO SHAREHOLDERS

FABCHEM CHINA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200413128G)

Directors

Wee Phui Gam (Acting Chairman and Lead Independent Director)
Bao Hongwei (Managing Director)
Sun Bowen (Non-Executive Non-Independent Director)
Jiang Rongguang (Independent Director)

Registered Office

8 Robinson Road
#03-00 ASO Building
Singapore 048544

18 April 2019

To: The Shareholders of the Company

Dear Shareholder

MANDATORY CONDITIONAL CASH OFFER BY TRIPLE VISION PTE. LTD. FOR THE OFFER SHARES

1. INTRODUCTION

1.1 **Offer Announcement.** On 15 March 2019, the Offeror announced, *inter alia*, that:

- (a) the Offeror had on 15 March 2019 acquired an aggregate of 13,993,200 Shares from a substantial shareholder of the Company, DNX Australia Pty Limited, at S\$0.158 per Share, representing 29.90% of the total number of Shares ("**Acquisition**"). The Acquisition was completed by way of a sale and purchase agreement;
- (b) as a consequence of the Acquisition, the aggregate interest of the Offeror and its Concert Parties increased from 4,513,000 Shares, representing approximately 9.65% of the Shares, to 18,506,200 Shares, representing approximately 39.55% of the Shares, and
- (c) as a result of the Acquisition and in accordance with Rule 14 of the Code, the Offeror is required to make a mandatory general offer for all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror.

A copy of the Offer Announcement is available for download from SGXNET at www.sgx.com. The Offer Announcement was also advertised in The Straits Times on 19 March 2019.

1.2 **Offer Document.** Shareholders should by now have received a copy of the Offer Document and Relevant Acceptance Forms issued by the Offeror, setting out, *inter alia*, the formal offer by the Offeror to acquire all the Offer Shares subject to the terms and conditions set out in the Offer Document. Further details of the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties are set out in Appendix 5 to the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available for download from SGXNET at www.sgx.com.

1.3 **Independent Financial Adviser.** The Company has appointed CEL Impetus Corporate Finance Pte. Ltd. as the independent financial adviser to advise the Independent Directors in respect of the Offer. The advice of the IFA is set out in the IFA Letter set out in Appendix A to this Circular.

1.4 **Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the advice of the IFA to the Independent Directors with regard to the Offer and the recommendation of the Independent Directors to the Shareholders in respect of the Offer.

LETTER TO SHAREHOLDERS

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix A to this Circular carefully and consider the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer before deciding whether to accept or reject the Offer.

If you are in any doubt in respect of this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

2. THE OFFER

2.1 **Terms of the Offer.** The Offer is made by the Offeror, on the principal terms set out in sections 2 and 3 of the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

"2. THE OFFER

2.1. Terms of the Offer

The Offeror hereby makes the Offer to acquire all the Offer Shares subject to the terms and conditions set out in this Offer Document and the Acceptance Forms.

2.2. Offer Price

*The Offer Price for each Offer share is **S\$0.158** in cash.*

2.3. Offer Shares

- (a) The Offer is extended to all Shares other than those already owned, controlled or agreed to be acquired by the Offeror.*
- (b) For the avoidance of doubt, the Offer is extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by the Concert Parties. For the purpose of the Offer, the expression "**Offer Shares**" shall include such Shares.*

2.4. Rights and Encumbrances

*The Offer Shares will be acquired (i) fully paid-up, (ii) free from all claims, charges, pledges, mortgages, encumbrances, liens, options, equity, power of sale, declarations of trust, hypothecation, retention of title, rights of pre-emption, rights of first refusal, moratoriums or other third party rights or interests of any nature whatsoever, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and/or other entitlements (if any) ("**Distributions**") which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date, together with all interest accrued thereon.*

Accordingly, if any dividend, right, distribution, return of capital and/or other entitlements is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price correspondingly by the amount of such dividend, right, distribution, return of capital and/or other entitlements.

LETTER TO SHAREHOLDERS

2.5. **Adjustment for Distributions**

Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date to a Shareholder who validly accepts the Offer (the “**Accepting Shareholder**”), the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the Accepting Shareholder falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.6. **Conditional Offer**

The Offer will be conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50 per cent. of the total voting rights attributable to the issued Shares (excluding treasury shares) (the “**Acceptance Condition**”).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50 per cent. of the total voting rights attributable to the issued Shares (excluding treasury shares).

Save as disclosed above, the Offer is unconditional in all other respects.

3. **WARRANTY**

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and any other entitlements (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date together with all interest accrued thereon.”

LETTER TO SHAREHOLDERS

2.2 **Duration of the Offer.** The duration of the Offer is set out in section 4 of the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“4. DURATION OF THE OFFER

The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 3 May 2019 or such later date(s) as may be announced from time to time by the Offeror.”

3. FURTHER DETAILS OF THE OFFER

Appendix 1 to the Offer Document sets out further details on:

- (a) the duration of the Offer;
- (b) the procedures for settlement of the consideration for the Offer;
- (c) the requirements relating to the announcement(s) of level of acceptances of the Offer; and
- (d) the right of withdrawal of acceptances of the Offer.

4. PROCEDURES FOR ACCEPTANCE

Appendix 2 to the Offer Document sets out the procedures for acceptance of the Offer.

5. INFORMATION ON THE COMPANY

The Company was incorporated in Singapore on 12 October 2004 and its shares have been quoted and traded on the Mainboard of the SGX-ST since 17 April 2006.

The Group is principally engaged in the production and sale of commercial explosives products, comprising explosive devices, initiators and detonators. Its products include explosive devices (boosters), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), as well as industrial detonators (non-electric detonators and piston non-electric detonators).

Additional information on the Company is set out in Appendix B to this Circular.

6. INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from section 7 of the Offer Document, and reproduced below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“7. INFORMATION ON THE OFFEROR

7.1. *The Offeror was incorporated in Singapore on 12 April 2018 as a management consultancy service company.*

As at the Latest Practicable Date:

- (a) *the Offeror has an issued and paid-up share capital of S\$10.00 comprising 10 ordinary shares;*

LETTER TO SHAREHOLDERS

- (b) the Offeror's registered address is at 3 Temasek Boulevard, #02-381 Suntec City Mall, Singapore 038983;
- (c) the sole shareholder of the Offeror is Mr. Wee Henry, who is a Singaporean businessman; and
- (d) the director and secretary of the Offeror are Mr. Wee Henry and Mr. Yang Qihui, respectively.

7.2. Additional information on the Offeror is set out in **Appendix 3** to this Offer Document."

7. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer, and the Offeror's intentions relating to the Company have been extracted from sections 9 and 10 of the Offer Document, and reproduced below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully.**

"9. RATIONALE FOR THE OFFER

- 9.1. **Compliance with the Code.** As a result of the Acquisition as described in Section 1.1 above, the Offeror is required to make the Offer in compliance with the requirements of the Code.
- 9.2. **Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity.**

The historical trading liquidity of the Shares on the SGX-ST has been low. The average daily trading volume of the Shares over the last one (1)-month, three (3)-month, six (6)-month and 12-month periods up to and including the Last Trading Day (as defined herein) are detailed in the table below:

	Average Daily Trading Volume ("ADTV") ⁽¹⁾	ADTV as a percentage of total number of issued shares ^{(2),(3)}
One (1)-month period up to and including 1 March 2019, the Last Traded Day	38,000	0.08%
Three (3)-month period up to and including the Last Traded Day	24,300	0.05%
Six (6)-month period up to and including the Last Traded Day	14,725	0.03%
12-month period up to and including the Last Traded Day	10,057	0.02%

Notes:

- (1) The figures set out in the table above are based on data extracted from Bloomberg L.P. The average daily trading volume is computed based on the total trading volume of the Shares divided by the number of Market Days with respect to the relevant period immediately prior to and including the Last Traded Day.
- (2) Calculated using the average daily total volume of Shares traded divided by the total number of issued Shares.
- (3) Rounded to the nearest two (2) decimal places.

LETTER TO SHAREHOLDERS

9.3. Offer Price at a premium to traded prices at different time periods over the last 12 months.

When compared to the benchmark prices of the Shares prior to the Last Traded Day, the Offer Price represents a premium of approximately 23.92%, 23.73%, 20.43% and 6.76% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in Shares at a premium over historical trading prices of the Shares without incurring brokerage and other trading costs.

9.4. Opportunity for Shareholders who are not prepared to bear the risks associated with the Company to realise their investment in cash.

The Company has been placed on the SGX watch-list with effect from 5 June 2017 due to the Minimum Trading Price Entry Criteria under the Listing Manual, as announced by the Company on 5 June 2017. The Company has 36 months from 5 June 2017 to record a VWAP of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the last six (6) months.

Shareholders who are not prepared to bear the risks associated with the Company being placed on the watch-list (which may subsequently result in the SGX-ST delisting the Company or suspending trading in the Company's shares with a view to delisting the Company), will benefit from the cash exit provided through the Offer.

10. OFFEROR'S INTENTIONS FOR THE COMPANY

Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management, and financial position of the Group, and will evaluate various strategic options. The Offeror also retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.

Pending the above review, the Offeror intends for the Company to continue with its existing activities and has no current intention of (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business."

8. THE OFFEROR'S INTENTIONS REGARDING THE LISTING STATUS AND COMPULSORY ACQUISITION

The full text stating the Offeror's intentions relating to the listing status and compulsory acquisition of the Company has been extracted from section 11 of the Offer Document, and reproduced below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully.**

"11. LISTING STATUS AND COMPULSORY ACQUISITION

11.1. Listing Status.

Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding any treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.

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Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares at the close of the Offer.

Shareholders are advised to note that Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held by the public. In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted.

In the event the Company does not meet the free float requirements of the Listing Manual, the Offeror does not intend to maintain the present listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.

11.2. Compulsory Acquisition.

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer or acquires or agrees to acquire such number of Offer Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares), other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer, the Offeror will be entitled to exercise the right to compulsorily acquire all the Dissenting Shareholders on the same terms as those offered under the Offer.

In such an event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

*Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with any treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares as at the final closing date of the Offer. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.** Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude treasury shares or Shares held by the Offeror, its related corporations or their respective nominees as at the date of the Offer."*

9. DIRECTORS' INTERESTS

Details of the Directors including, amongst other things, the Directors' direct and deemed interests in the Offeror Securities and the Company Securities as at the Latest Practicable Date are set out in Appendix B to this Circular.

10. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

- 10.1 IFA.** Shareholders should read and consider carefully the advice of the IFA to the Independent Directors in respect of the Offer as contained in the IFA Letter (reproduced in Appendix A to this Circular) and the recommendation of the Independent Directors to the Shareholders as set out in Section 11 of this Circular before deciding on whether to accept or reject the Offer.

LETTER TO SHAREHOLDERS

10.2 **Evaluation of the Offer by the IFA.** In arriving at its advice, the IFA has taken into account certain key factors as set out in section 7 of the IFA Letter, an extract of which is reproduced below. **Shareholders should read and carefully consider the key factors taken into account by the IFA in arriving at its advice to the Independent Directors, in conjunction with, and in the context of, the full text of the IFA Letter.** Unless otherwise defined or the context otherwise requires, all capitalised terms and expressions used in the extract below shall have the same meanings as defined in the IFA Letter.

“7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:

- (a) the market prices and trading activity of the Shares;*
- (b) historical share price performance relative to the FTSE Straits Times Index (“FSSTI”)*
- (c) NTA-based valuation of the Group*
- (d) Comparison with financial valuation ratios of selected listed companies which principal business are broadly comparable to those of the Group;*
- (e) Comparison of selected recent takeovers of other companies listed on the SGX-ST;*
- (f) the dividend track record of the Company; and*
- (g) Other relevant factors for consideration”*

10.3 **Advice of the IFA to the Independent Directors in respect of the Offer.** Taking into consideration the factors set out in the IFA Letter and the information available to the IFA as at the Latest Practicable Date, and subject to the qualifications and assumptions set out in the IFA Letter, the IFA has rendered its advice to the Independent Directors as set out in section 8 of the IFA Letter, an extract of which is reproduced below. **Shareholders should read the extract below in conjunction with, and in the context of, the full text of the IFA Letter.** Unless otherwise defined or the context otherwise requires, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

“8. RECOMMENDATION

In arriving at our recommendation in relation to the Offer, we have taken into account the factors which we consider to have a significant bearing on our assessment which includes our analyses as outlined under paragraph 7.1 to 7.6:

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:

- (a) An assessment of the historical market price and trading activities of the Shares*
 - (i) The closing price of the Shares were higher than the Offer Price for more than 118 Market Days out of 250 Market Days over the last 12-month period prior to the Last Traded Day;*
 - (ii) The Offer Price represents a premium of 6.76%, 20.61%, 23.44% and 24.41% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;*
 - (iii) The Offer Price is equal to the Last Transacted Price and the closing price on the Market Day immediately after the Offer Announcement Date;*

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- (iv) *The Offer Price is equal to the VWAP for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date and a discount of 1.25% to the last transacted price as at the Latest Practicable Date respectively;*
 - (v) *The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior and up to the Last Traded Day represents approximately 0.02%, 0.03%, 0.05% and 0.12% of the Free Float respectively;*
 - (vi) *The average daily traded volume of the Shares on the Last Traded Day represents 0.98% of the Free Float;*
 - (vii) *The average daily traded volume of the Shares on the Market Day immediately after the Offer Announcement Date represents 15.56% of the Free Float;*
 - (viii) *The average daily traded volume of the Shares for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date represents 0.94% of the Free Float; and*
 - (ix) *The average daily traded volume of the Shares on the Latest Practicable Date represents 0.12% of the Free Float.*
- (b) *An assessment of the historical Share price performance relative to the FSSTI showed that (i) for the 12-month period prior to the Last Traded Day, the Shares had generally underperformed the the FSSTI on a normalised basis; and (ii) the closing price of the Shares had increased by approximately 1.27% while the FSSTI had increased by 3.43% between the Offer Announcement Date and the Latest Practicable Date.*
- (c) *An assessment of the NTA and Revalued NTA of the Group as follow:*
- (i) *The Offer Price is at a significant discount of approximately 85.04% to the unaudited NTA of the Group and would value the Group at a P/NTA ratio of 0.1 times;*
 - (ii) *Adjusting for the net cash position per Share, the Offer Price represents a significant discount of approximately 97.08% to the Ex-Cash NTA per Share; and*
 - (iii) *The Offer is also at a significant discount of approximately 85.89% to the unaudited Revalued NTA of the Group and would value the Group at a P/Revalued NTA ratio of 0.1 times.*
- (d) *A comparison with the valuation ratios of the Selected Comparable Companies as follows:*
- (i) *The LTM P/E ratio of the Group is negative and not meaningful as the Group incurred a loss after tax of approximately RMB24.3 million for the most recent twelve months as at 31 December 2018, whilst the Comparable Companies were traded at PER of between 41.0 times and 81.0 times;*
 - (ii) *The P/NAV ratio of the Group of 0.1 times is not within the range of the P/NAV ratios of the Selected Comparable Companies of between 1.4 times and 4.5 times;*
 - (iii) *The P/NTA ratio of the Group of 0.1 times is not within the range of the P/NTA ratios of the Selected Comparable Companies of between 1.7 times and 4.9 times; and*
 - (iv) *The EV/EBITDA ratio of the Group of 8.1 times is not within the range of the EV/EBITDA ratios of the Selected Comparable Companies of between 13.5 times and 43.4 times.*

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- (e) *A comparison with the Selected Comparable Transactions as follows:*
- (i) *The Offer Price is equal to the Last Transacted Price. It is not within the range of the premia for the Selected Comparable Transactions;*
 - (ii) *The premium of 23.9% implied by the Offer Price over the 1-month VWAP prior to the Offer Announcement Date is within the range but lower than the mean and median of premia for the Selected Comparable Transactions;*
 - (iii) *The premium of 23.7% implied by the Offer Price over the 3-month VWAP prior to the Offer Announcement is within the range but lower than the mean and median of premia for the Selected Comparable Transactions;*
 - (iv) *The premium of 20.4% implied by the Offer Price over the 6-month VWAP prior to the Offer Announcement is within the range but lower than the mean and median of premia for the Selected Comparable Transactions; and*
 - (v) *The P/NTA ratio of 0.1 times implied by the Offer is not within the range of the P/NTA ratios for the Selected Comparable Transactions.*

Having considered the above and subject to the assumptions and qualifications set out in this Letter, we are of the opinion that on balance, the financial terms of the Offer are not fair and not reasonable. Accordingly, we advise the Independent Directors to recommend that the Shareholders reject the Offer.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review."

11. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

- 11.1 Independent Directors' Recommendation.** The Independent Directors, having considered carefully, amongst other things, the terms of the Offer and the advice given by the IFA in the IFA Letter, **CONCUR** with the IFA's assessment of the Offer and advice of the IFA in respect of the Offer. **Accordingly, the Independent Directors recommend that Shareholders REJECT the Offer.**

SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER. SHAREHOLDERS SHOULD NOTE THAT THE IFA'S OPINION SHOULD NOT BE RELIED UPON BY ANY SHAREHOLDER AS THE SOLE BASIS FOR DECIDING WHETHER OR NOT TO ACCEPT THE OFFER. SHAREHOLDERS ARE ALSO URGED TO READ THE OFFER DOCUMENT CAREFULLY.

Shareholders who accept the Offer should take note that there is no certainty that the Offer will become or be capable of being declared unconditional as to acceptances. Shareholders are also advised to take note that there is no assurance that the market price of the Shares will remain at current prevailing levels after the close of the Offer, and that the past trading performance of the Shares may not in any way be relied upon as an indication of the future price performance levels of the Shares.

The IFA and the Independent Directors, in giving their advice and making their recommendation respectively, have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, any individual Shareholder who may require specific advice in respect of his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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12. ACTION TO BE TAKEN BY SHAREHOLDERS

- 12.1 **Shareholders who DO NOT WISH TO ACCEPT the Offer.** Shareholders who do not wish to accept the Offer should take no further action in respect of the Offer Document and the Relevant Acceptance Forms, which have been sent to them.
- 12.2 **Shareholder who WISH TO ACCEPT the Offer.** Shareholders who wish to accept the Offer must do so no later than 5.30 p.m. (Singapore time) on the Closing Date, abiding by the procedures for the acceptance of the Offer as set out in Appendix 2 to the Offer Document and the Relevant Acceptance Forms.

13. OVERSEAS SHAREHOLDERS AND COPIES OF THIS CIRCULAR

- 13.1 **Overseas Shareholders.** The full text relating to Overseas Shareholders has been extracted from section 16 of the Offer Document, and is reproduced below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

"16. OVERSEAS SHAREHOLDERS

16.1. General

The availability of the Offer to Overseas Shareholders may be affected by laws and regulations of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about and observe any applicable legal requirements. Where there are potential restrictions on sending this Offer Document and the Acceptance Forms to any overseas jurisdiction, the Offeror reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. However, the Offeror may, in its sole discretion, take such actions as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction. For the avoidance of doubt, the Offer is made to all Shareholders holding Offer Shares, including to those to whom this Offer Document and the Acceptance Forms have not been, or will not be, sent.

Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

16.2. Copies of the Offer Document

*Shareholders and Overseas Shareholders (subject to compliance with applicable laws and regulations) may obtain copies of this Offer Document and the Acceptance Forms and any related documents, during normal business hours and up to **5.30 p.m. (Singapore time) on the Closing Date** from the CDP or Share Registrar, as the case may be, at the following address:*

The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Tel No.: (65) 6535 7511

**Boardroom Corporate & Advisory
Services Pte. Ltd.**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel No.: (65) 6536 5355

LETTER TO SHAREHOLDERS

Alternatively, any Overseas Shareholder may (subject to compliance with applicable laws and regulations) write to the Offeror at Triple Vision Pte. Ltd. c/o The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588 (if he is a Depositor) or Triple Vision Pte. Ltd. c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (if he is a scripholder) to request for this Offer Document the Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at his own risk (the last date for despatch in respect of such request shall be a date falling three (3) Business Days prior to the Closing Date).

16.3. Overseas Jurisdictions

It is the responsibility of any Overseas Shareholder who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable, and the Offeror and any person acting on its behalf (including the CDP and the Share Registrar) shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf may be required to pay. In accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror that he is in full compliance with all necessary formalities or legal requirements. Overseas Shareholders who are in doubt about their position should consult their professional advisers in the relevant jurisdictions.

16.4. Notice

The Offeror reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."

13.2 Copies of this Circular. This Circular will not be sent to all Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date from the offices of the Share Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, download a copy of this Circular from the website of the SGX-ST at www.sgx.com, or make a request to the Share Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

It is the responsibility of any Overseas Shareholder who wishes to request this Circular and/ or any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. In requesting for this Circular and/or any related documents the Overseas Shareholder represents and warrants to the Company that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.

LETTER TO SHAREHOLDERS

14. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

The full text relating to CPFIS Investors and SRS Investors has been extracted from section 17 of the Offer Document, and reproduced below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“17. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks (as the case may be) directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks (as the case may be) should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks (as the case may be) by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks (as the case may be). Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer will receive the payment for their Offer Shares in their respective CPF investment accounts and SRS investment accounts (as the case may be).”

15. DIRECTORS' RESPONSIBILITY STATEMENT

- 15.1 The Directors (including any who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than in the IFA Letter and the Valuation Summary and other than for information relating to the Offeror or any opinion expressed by the Offeror) are fair and accurate, and that there are no other material facts not contained in this Circular, the omission of which would make any statement in this Circular misleading, and the Directors jointly and severally accept responsibility accordingly.
- 15.2 Where any information has been obtained from the Offeror, or extracted or reproduced from the Offer Document or from published or otherwise publicly available sources (including, without limitation, in respect of the Company), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular. The Directors do not accept any responsibility for any information relating to the Offeror or any opinion expressed by the Offeror.
- 15.3 In respect of the IFA Letter and the Valuation Summary, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

16. CONSENTS

- 16.1 CEL Impetus Corporate Finance Pte. Ltd., named as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter setting out its advice to the Independent Directors set out in Appendix A to this Circular, and all references thereto, in the form and context in which they appear in this Circular.
- 16.2 AVA Associates Limited, named as the Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Summary set out in Appendix E to this Circular and all references thereto, in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 during normal business hours from the date of this Circular up to and including the Closing Date:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the IFA Letter as set out in Appendix A to this Circular;
- (d) the 9M2019 Results;
- (e) the valuation report issued by the Valuer, a summary of which is set out in Appendix E to this Circular; and
- (f) the letters of consent from the IFA and Valuer referred to in Section 16 of this Circular.

18. ADDITIONAL INFORMATION

The attention of Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
FABCHEM CHINA LIMITED

Wee Phui Gam
Acting Chairman and Lead Independent Director

APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF FABCHEM CHINA LIMITED

18 April 2019

The Independent Directors
Fabchem China Limited
2 Bukit Merah Central
#12-03
Singapore 159835

Dear Sirs,

MANDATORY CONDITIONAL CASH OFFER (THE “OFFER”) BY TRIPLE VISION PTE. LTD. (THE “OFFEROR”) FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF FABCHEM CHINA LIMITED (THE “COMPANY”) OTHER THAN THOSE ALREADY OWNED, CONTROLLED, OR AGREED TO BE ACQUIRED BY THE OFFEROR (“OFFER SHARES”)

Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the circular dated 18 April 2019 (the “Circular”) issued to the Shareholders of the Company in relation to the Offer. Any discrepancies in this Letter (as defined below) between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as total in this Letter may not be arithmetic aggregation of the figures which precede them.

1. INTRODUCTION

On 15 March 2019 (the “**Offer Announcement Date**”), the Offeror announced that it had on 15 March 2019 purchased from DNX Australia Pty Limited an aggregate of 13,993,200 ordinary shares (“**Shares**”) in the capital of the Company, at S\$0.158 per Share, representing 29.90% of the total number of the Shares in the Company (the “**Acquisition**”). The Acquisition was completed by way of a sale and purchase agreement.

Following the completion of the Acquisition, the aggregate interests of the Offeror and its Concert Parties (as defined below) has increased from 4,513,000 Shares, representing 9.65% of the Shares, to 18,506,200 Shares, representing approximately 39.55% of the total number of Shares in the Company.

As a result of the Acquisition and in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”), the Offeror is required to make a mandatory general offer for all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror. The Offer is also extended to, on some terms and conditions to all Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror (the “**Concert Parties**”).

A copy of the Offer Announcement dated 15 March 2019 is available on the website of the SGX-ST at www.sgx.com.

In connection with the above, CEL Impetus Corporate Finance Pte Ltd (“**CICF**”) was appointed by the Company as the independent financial adviser (“**IFA**”) to the directors of the Company who are considered independent for the purposes of making the recommendation to Shareholders in respect of the Offer as required under the Code (the “**Independent Directors**”).

This letter (“**Letter**”) sets out our evaluation and assessment of the financial terms of the Offer and our recommendations to the Independent Directors. This Letter will form part of the Circular dated 18 April 2019 to be issued by the Company providing details and the recommendation of the Independent Directors to Shareholders with regards to the Offer.

APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF FABCHEM CHINA LIMITED

2. TERMS OF REFERENCE

CICF has been appointed by the Company to provide an opinion regarding the Offer to the Independent Directors in compliance with the provisions of the Code. We have confined our evaluation and assessment to the financial terms of the Offer.

CICF is not a party to the negotiations or discussions relating to the Offer. Our terms of reference do not require us to evaluate, comment, advise or form a view on the rationale, and/or merits of the Offer or the listing status of the Company or future prospects of the Group. We have not been instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares. Accordingly, we do not compare nor express any opinion on the relative merits of the Offer vis-à-vis any alternative transactions previously considered by the Company or that may otherwise be available to the Company in the future.

In evaluating the financial terms of the Offer, we have held discussions with the Directors and management of the Company and have examined and relied on publicly available information collated by us as well as information provided and representations made, both written and verbal, by the Directors and the management of the Company. We have not independently verified such information or representations, whether written or verbal, and therefore cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. However, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and found no reason to doubt the accuracy or reliability of such information.

We have relied upon the assurances of the Directors and the management of the Company that after making all reasonable enquiries and to the best of their knowledge and belief, all material information or facts relating to the Offer and/or the Group has been disclosed to us, that such information constitutes true, complete and accurate disclosure of all material facts about the Offer and/or the Group and the Directors and the management of the Company are not aware of any material information or facts the omission of which would make any information disclosed to us or statement in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

In evaluating the financial terms of the Offer and in arriving at our opinion thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or Group. We are not required to express and we do not express any view on the growth prospects and earnings potential of the Company and/or the Group. Accordingly, we are not expressing any view herein as to the prices at which the Shares may trade in the absence of the Offer or if the Offer was not effected.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company or the Group (including without limitation, leasehold properties, and property, plant and equipment) and we have not been furnished with any such evaluation or appraisal, except for the full valuation report ("**Valuation Report**"), a summary of which is set out in Appendix E to the Circular. With respect to such Valuation Report, we are not experts in the evaluation or appraisal of the fixed assets belonging to its wholly-owned subsidiaries, Shandong Yinguang Technology Co., Ltd ("**Yinguang Technology**") and Shandong Jiehua Wenlv Zhiye Co., Ltd ("**Jiehua Wenlv Zhiye**") as at 28 February 2019 ("**Valuation Date**") and we have place sole reliance on the Valuation Report for the appraisal of the relevant entities.

Our opinion as set out herein is based upon market, economic, industry, monetary and other conditions prevailing on, and the information provided to us as of 11 April 2019, being the latest practicable date prior to the printing of the Circular (the "**Latest Practicable Date**"). Such conditions may change significantly over a relatively short period of time. We assume no

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responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment profiles and objectives, we recommend that any individual Shareholder who may require specific advice in relation to his/her investment portfolio or objectives should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

Our advice in relation to the Offer should be considered in the context of the entirety of this Letter and the Circular.

3. TERMS AND CONDITIONS OF THE OFFER

Shareholders should have received a copy of the Offer Document, setting out, *inter alia*, the terms and conditions of the Offer. The terms and conditions of the Offer are set out in Section 2 of the Letter to Shareholders in the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

Based on the information set out in the Offer Document, the Offeror has made an Offer to acquire all the Shares, other than those already owned, controlled or agreed be acquired by the Offeror, in accordance with Rule 14 of the Code and subject to the terms and conditions set out in the Offer Document, the FAA and the FAT. The Offer is also extended to all Shares owned, controlled or agreed to be acquired by the Concert Parties on the same terms and conditions. The principal terms of the Offer, as extracted from the Offer Document is set out below:

3.1 Offer Price

As stated in Section 2.2 of the Offer Document, the consideration for each Offer Share is as follows:

“The Offer Price for each Offer share is S\$0.158 in cash.”

3.2 Offer Shares

Section 2.3 of the Offer Document states the following:

- “(a) The Offer is extended to all Shares other than those already owned, controlled or agreed to be acquired by the Offeror.*
- “(b) For the avoidance of doubt, the Offer is extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by the Concert Parties. For the purpose of the Offer, the expression “Offer Shares” shall include such Shares.”*

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3.3 Rights and Encumbrances

Section 2.4 of the Offer Document states the following:

“The Offer Shares will be acquired (i) fully paid-up, (ii) free from all claims, charges, pledges, mortgages, encumbrances, liens, options, equity, power of sale, declarations of trust, hypothecation, retention of title, rights of pre-emption, rights of first refusal, moratoriums or other third party rights or interests of any nature whatsoever, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and/or other entitlements (if any) (“Distributions”) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date, together with all interest accrued thereon.

Accordingly, if any dividend, right, distribution, return of capital and/or other entitlements is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price correspondingly by the amount of such dividend, right, distribution, return of capital and/or other entitlements.”

3.4 Adjustment for Distributions

Section 2.5 of the Offer Document states the following:

“Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date to a Shareholder who validly accepts the Offer (the “Accepting Shareholder”), the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the Accepting Shareholder falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “Books Closure Date”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or*
- (b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “Adjusted Offer Price”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.”*

3.5 Conditional Offer

Section 2.6 of the Offer Document states the following:

“The Offer will be conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50 per cent. of the total voting rights attributable to the issued Shares (excluding treasury shares) (the “Acceptance Condition”).

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Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Closing Date, unless at any time prior to the Closing Date, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50 per cent. of the total voting rights attributable to the issued Shares (excluding treasury shares).

Save as disclosed above, the Offer is unconditional in all other respects.”

3.6 Warranty

Section 3 of the Offer Document states the following:

“A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and any other entitlements (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date together with all interest accrued thereon.”

3.7 Duration of the Offer

Section 4 of the Offer Document states the following:

“The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 3 May 2019 or such later date(s) as may be announced from time to time by the Offeror.”

3.8 Further details of the Offer

Information on the (a) the duration of the Offer; (b) the procedures for settlement of the consideration of the Offer; (c) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document and the accompanying FAA and FAT (as the case may be).

4. INFORMATION ON THE OFFEROR

Information on the Offeror, as set out in Section 7 of the Offer Document, is reproduced italics below.

“The Offeror was incorporated in Singapore on 12 April 2018 as a management consultancy service company.

As at the Latest Practicable Date:

- (a) *the Offeror has an issued and paid-up share capital of S\$10.00 comprising 10 ordinary shares.*

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- (b) *the Offeror's registered address is at 3 Temasek Boulevard, #02-381 Suntec City Mall, Singapore 038983;*
- (c) *the sole shareholder of the Offeror is Mr. Wee Henry, who is a Singaporean businessman; and*
- (d) *the director and secretary of the Offeror are Mr. Wee Henry and Mr. Yang Qihui respectively."*

5. RATIONALE FOR THE OFFER

The rationale of the Offer, as set out in Section 9 of the Offer Document, is reproduced in italics below:

9.1 Compliance with the Code. *As a result of the Acquisition as described in Section 1.1 above, the Offeror is required to make the Offer in compliance with the requirements of the Code.*

9.2 Opportunity for Shareholders who may find it difficult to exit their investment in the Company due to low trading liquidity.

The historical trading liquidity of the Shares on the SGX-ST has been low. The average daily trading volume of the Shares over the last one (1)-month, three (3)-month, six (6)-month and 12-month periods up to and including the Last Trading Day (as defined herein) are detailed in the table below:

	Average Daily Trading Volume ("ADTV")⁽¹⁾	ADTV as a percentage of total number of issued shares^{(2),(3)}
<i>One (1)-month period up to and including 1 March 2019, the Last Traded Day</i>	38,000	0.08%
<i>Three (3)-month period up to and including the Last Traded Day</i>	24,300	0.05%
<i>Six (6)-month period up to and including the Last Traded Day</i>	14,725	0.03%
<i>12-month period up to and including the Last Traded Day</i>	10,057	0.02%

Notes:

- (1) *The figures set out in the table above are based on data extracted from Bloomberg L.P. The average daily trading volume is computed based on the total trading volume of the Shares divided by the number of Market Days with respect to the relevant period immediately prior to and including the Last Traded Day.*
- (2) *Calculated using the average daily total volume of Shares traded divided by the total number of issued Shares.*
- (3) *Rounded to the nearest two (2) decimal places.*

9.3 Offer Price at a premium to traded prices at different time periods over the last 12 months.

When compared to the benchmark prices of the Shares prior to the Last Traded Day, the Offer Price represents a premium of approximately 23.92%, 23.73%, 20.43% and 6.76% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

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The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in Shares at a premium over historical trading prices of the Shares without incurring brokerage and other trading costs.

9.4 Opportunity for Shareholders who are not prepared to bear the risks associated with the Company to realise their investment in cash

The Company has been placed on the SGX watch-list with effect from 5 June 2017 due to the Minimum Trading Price Entry Criteria under the Listing Manual, as announced by the Company on 5 June 2017. The Company has 36 months from 5 June 2017 to record a VWAP of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the last six (6) months.

Shareholders who are not prepared to bear the risks associated with the Company being placed on the watch-list (which may subsequently result in the SGX-ST delisting the Company or suspending trading in the Company's shares with a view to delisting the Company), will benefit from the cash exit provided through the Offer."

6. THE OFFEROR'S INTENTION IN RELATION TO THE COMPANY

The Offeror's intention in relation to the Company, as set out in Section 10 and 11 of the Offer Document, is reproduced in italics below:

10. OFFEROR'S INTENTION FOR THE COMPANY

"Following the close of the Offer, the Offeror will conduct a comprehensive review of the operations, management, and financial position of the Group, and will evaluate various strategic options. The Offeror also retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.

Pending the above review, the Offeror intends for the Company to continue with its existing activities and has no current intention of (a) making material changes to the Group's existing business, (b) re-deploying the Group's fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business"

11. LISTING STATUS AND COMPULSORY ACQUISITION

11.1. Listing Status.

Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding any treasury shares), the SGX-ST may suspend the trading of the Shares on the SGXST until it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares at the close of the Offer.

Shareholders are advised to note that Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held by the public. In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and

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the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGXST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted.

In the event the Company does not meet the free float requirements of the Listing Manual, the Offeror does not intend to maintain the present listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.

11.2. **Compulsory Acquisition.**

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer or acquires or agrees to acquire such number of Offer Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares), other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer, the Offeror will be entitled to exercise the right to compulsorily acquire all the Dissenting Shareholders on the same terms as those offered under the Offer.

In such an event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

*Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with any treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares as at the final closing date of the Offer. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.** Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude treasury shares or Shares held by the Offeror, its related corporations or their respective nominees as at the date of the Offer.”*

7. **ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER**

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:

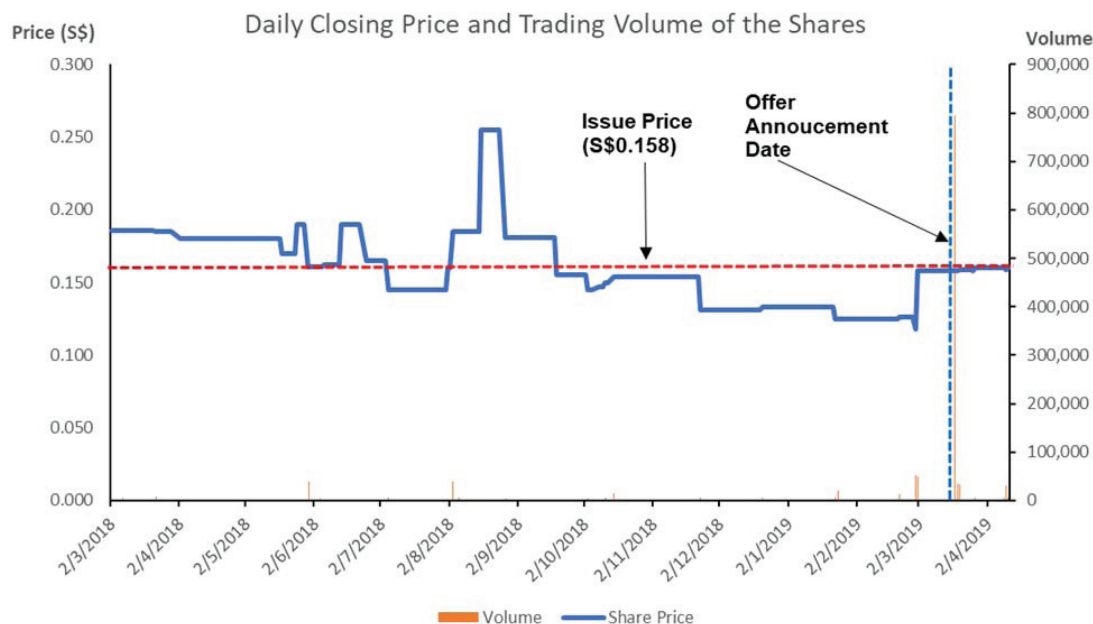
- (a) the market prices and trading activity of the Shares;
- (b) historical share price performance relative to the FTSE Straits Times Index (“**FSSTI**”)
- (c) NTA-based valuation of the Group
- (d) Comparison with financial valuation ratios of selected listed companies which principal business are broadly comparable to those of the Group;
- (e) Comparison of selected recent takeovers of other companies listed on the SGX-ST;
- (f) the dividend track record of the Company; and
- (g) Other relevant factors for consideration

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7.1 Market prices and trading activity of the Shares

We have compared the Offer Price against the historical market price of the Shares.

The historical price chart showing the closing prices and the trading volume of the Shares for the period commencing from 2 March 2018, being the 12-month period prior to the Last Traded Day (as defined below), and ending on the Latest Practicable Date is set out below:



Source: Bloomberg L.P.

A summary of the salient announcements made by the Company during the 12-month period prior to the Last Traded Day (as defined below) and up to the Latest Practicable Date is set out below:

No	Date of Announcement	Event
1	30-May-18	The Company announced its unaudited full year results for the year ended 31 March 2018, reporting a 28.8% increase in revenue to RMB191.3 million and a loss after tax of RMB15.1 million as compared to a profit after tax of RMB1.0 million in the previous financial year.
2	30-May-18	The Company announced that the wholly-owned subsidiary of the Company, Shandong Yinguang Technology Co., Ltd had incorporated a new wholly-owned subsidiary, Shandong Jiehua Wenlv Zhiye Co., Ltd.
3	18-Jun-18	The Company announced that Company's wholly-owned subsidiary, Shandong Yinguang Technology Co., Ltd. has entered into a sale and purchase agreement with Sheng Zhenbo, Liu Benquan, Jia Yongmei, Sun Xinle, Zhaoyuan 761 Co., Ltd. and Shandong Laizhou Ping'An Commercial Explosives Co., Ltd. (the " Target Company ", together with its subsidiaries, the " Target Group ") to acquire the entire equity interest in the total registered and paid-up capital of the Target Company (the " Proposed Acquisition ").

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No	Date of Announcement	Event
4	04-Jul-18	The Company announced that pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, subsequent to the release of the Unaudited Full Year Financial Results for FY2018, certain items were adjusted in the Consolidated Income Statement, Statements of Financial Position and Consolidated Statement of Cash Flows for FY2018.
5	14-Aug-18	The Company announced its unaudited first quarter results for the period ended 30 June 2018, reporting a 6.1% decrease in revenue to RMB45.1 million and a loss after income tax of RMB5.8 million as compared to a loss after income tax of RMB3.1 million in the previous corresponding three months period.
6	14-Nov-18	The Company announced its unaudited second quarter and first half results for the period ended 30 September 2018, reporting a 11.5% decrease in revenue to RMB85.9 million and a loss after income tax of RMB9.5 million as compared to a loss after income tax of RMB5.3 million in the previous corresponding half year period.
7	04-Dec-18	The Company announced that the Singapore Exchange Securities Trading Limited has notified the Company that it would be placed on the watch-list due to the financial entry criteria with effect from 5 December 2018 as the Company has recorded (i) pre-tax losses for the three most recently completed consecutive financial years (based on audited full year consolidated accounts) and (ii) an average daily market capitalization of less than S\$40 million over the last 6 months.
8	31-Jan-19	The Company announced that making reference to the announcement made by the Company on 18 June 2018 in relation to the Proposed Acquisition of Shandong Laizhou Ping'An Commercial Explosives Co., Ltd, the Proposed Acquisition has been put on hold pending the resolution of due diligence issues in respect of the Target Group.
9	14-Feb-19	The Company announced its unaudited third quarter and nine months results for the period ended 31 December 2018, reporting a 7.3% decrease in revenue to RMB128.3 million and a loss net of tax of RMB19.1 million as compared to a loss net of tax of RMB14.7 million in the previous corresponding nine months period.
10	6-Mar-19	The Company announced that the Company has received information on ongoing discussions in relation to a sale of the shares of the Company (" Shares ") by a certain shareholder which could lead to a possible general offer for all the Shares.

In view of the ongoing discussions, the Board is of the opinion that a trading suspension would avoid any irregular movements in Share price and prevent any irregular trading activities that may result from the leakage of any information which the Company has no control over. The trading suspension would also provide market certainty and prevent market confusion for its shareholders.

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No	Date of Announcement	Event
11	15-Mar-19	Triple Vision Pte. Ltd. (the “ Offeror ”) announced that it intends to make a mandatory conditional cash offer for all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror as at the date of this Announcement, but including Share owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror at S\$0.158 per share (the “ Offer Price ”).
12	18-Mar-19	The Company announced that the Offeror intends to make a mandatory conditional cash offer for all Offer Shares at the Offer Price of S\$0.158 per Share.
13	19-Mar-19	The Company announced that it has appointed CEL Impetus Corporate Finance Pte. Ltd. as the IFA.
14	5-Apr-19	The Offeror announced that the offer document dated 5 April 2019 (the “ Offer Document ”) which contains <i>inter alia</i> details of the Offer, together with the accompanying Form of Acceptance and Authorisation for Offer Shares (“ FAA ”) and/or the Form of Acceptance and Transfer for Offer Shares (“ FAT ”) have been despatched to the shareholders of the Company (“ Shareholders ”).

Based on the above, we note that over the last 12-month period prior and up to 1 March 2019, being the last traded day of the Shares before to the Offer Announcement Date (the “**Last Traded Day**”), the closing prices for the Shares were higher than the Offer Price for 118 Market Days out of 250 Market Days. Furthermore, we noted that the Offer Price is at a discount of approximately 38.04% to the highest closing price over the last one-year period prior to and up to the Last Traded Day of S\$0.255 on 16 August 2018.

We also noted that the Offer Price is equal to the last transacted price of S\$0.158 (the “**Last Transacted Price**”) on the Last Traded Day. On 18 March 2019, (being the next market day after the Offer Announcement Date), the Shares maintained and closed at S\$0.158 and since then, the closing price of this Shares have traded narrowly between S\$0.158 to S\$0.160 up to the Latest Practicable Date.

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We have also compared the volume weighted average price (“VWAP”) of Shares for selected reference periods between 12-month period prior to the Last Traded Day the Latest Practicable Date as set out in the table below:

	Lowest traded price (S\$)	Highest traded price (S\$)	VWAP ⁽¹⁾ / Last Transacted Price (S\$)	Premium / (discount) of Offer Price ⁽²⁾ over VWAP (%)
Periods prior to the Last Traded Day⁽³⁾				
Last 12 months	0.115	0.255	0.148	6.76
Last 6 months	0.115	0.158	0.131	20.61
Last 3 months	0.115	0.158	0.128	23.44
Last 1 month	0.115	0.158	0.127	24.41
Last Traded Day	0.125	0.158	0.158 ⁽⁴⁾	0.00
Periods after the Offer Announcement Date				
Market Day immediately after the Offer Announcement Date	0.125	0.158	0.158 ⁽⁴⁾	0.00
Between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive)	0.158	0.169	0.158	0.00
Latest Practicable Date	0.159	0.160	0.160 ⁽⁵⁾	(1.25)

Source: Bloomberg L.P.

Notes:

- (1) The VWAP is weighted based on the volume of Shares traded and transacted prices of the Shares for the Market Days in the respective periods.
- (2) Based on the Offer Price of \$0.158 per Offer Share.
- (3) Including the Last Traded Day.
- (4) The closing price on the Last Traded Day and the Market Day immediately after the Offer Announcement Date.
- (5) The closing price on the Latest Practicable Date.

The key observations in respect of the above analysis are highlighted below:

- (a) Over the 12-month period prior to the Last Traded Day, the Shares have closed between a low of S\$0.115 and a high of S\$0.255;
- (b) The Offer Price represents a premium of 6.76%, 20.61%, 23.44% and 24.41% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;
- (c) The Offer Price is equal to the Last Transacted Price;
- (d) The Offer Price is equal to the closing price on the Market Day immediately after the Offer Announcement Date;

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- (e) The Offer Price is equal to the VWAP for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date; and
- (f) The Offer Price represents a discount of 1.25% to the last transacted price as at the Latest Practicable Date.

For illustration purposes only, we set out in the table below the average daily trading volume of the Shares and the average daily trading volume as a percentage of its Free Float (as defined in the footnote below) for selected reference periods between 12-month period prior to the Last Traded Day and the Latest Practicable Date:

	Average daily trading volume ("ADTV") ⁽¹⁾ (Shares)	ADTV as a percentage of Free Float ⁽²⁾ (%)
Periods prior to the Last Traded Day		
Last 12 months	1,207	0.02
Last 6 months	1,414	0.03
Last 3 months	2,390	0.05
Last 1 month	6,333	0.12
Last Traded Day	50,000	0.98
Periods after the Offer Announcement Date		
Market Day immediately after the Offer Announcement Date	795,300	15.56
Between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date (both dates inclusive)	48,126	0.94
Latest Practicable Date	6,000	0.12

Source: Bloomberg L.P.

Notes:

- (1) The average daily traded volume is computed based on the total volume of Shares traded for all the Market Days for the relevant periods, divided by the total number of Market Days (including Market Days when no Shares were traded) during the respective periods.
- (2) Calculated based on a free float of approximately 5,112,700 Shares ("Free Float"), as extracted from Bloomberg L.P. as at the Latest Practicable Date.
- (3) Including the Last Traded Day.

The key observations in respect of the above analysis are highlighted below:

- (a) The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior and up to the Last Traded Day represents approximately 0.02%, 0.03%, 0.05% and 0.12% of the Free Float respectively;
- (b) The average daily traded volume of the Shares on the Last Traded Day represents 0.98% of the Free Float;

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- (c) The average daily traded volume of the Shares on the Market Day immediately after the Offer Announcement Date represents 15.56% of the Free Float;
- (d) The average daily traded volume of the Shares for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date represents 0.94% of the Free Float; and
- (e) The average daily traded volume of the Shares on the Latest Practicable Date represents 0.12% of the Free Float.

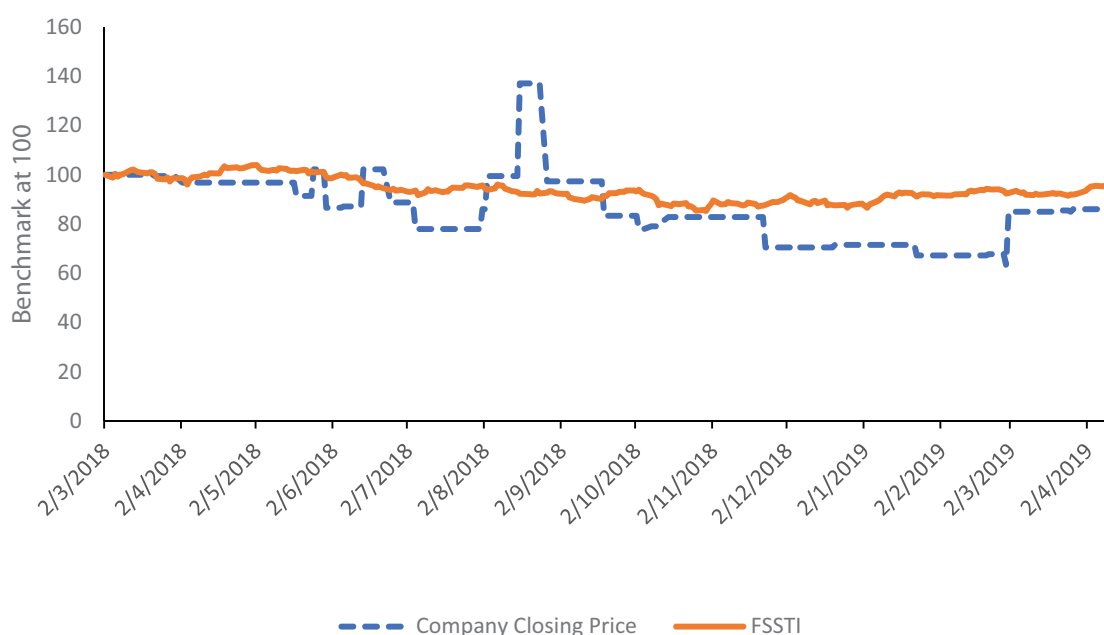
Based on the above observations, it would appear that the trading activity and market price of the Shares since the Offer Announcement Date up to the Latest Practicable Date may be supported by the Offer Price

We wish to highlight that the above analysis of the trading performance of the Shares serves only as an illustrative guide and is not an indication of the future trading performance of the Shares.

7.2 Historical share price performance relative to the FSSTI

To assess the market price performance of the Shares vis-à-vis the general price performance of the Singapore equity market, we have compared the market movement of the Shares price against the FSSTI for the period between 12-months prior to the Last Traded Day and the Latest Practicable Date, as illustrated below.

Historical Share Price Performance against FSSTI (rebased)



Source: Bloomberg L.P.

We note that during the period between 12-months prior to the Last Traded Day and the Latest Practicable Date, the Shares had generally underperformed the FSSTI on a normalised basis.

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The movements in the last transacted prices of the Shares and the FSSTI between the Last Traded Day and the Latest Practicable Date are as follows:

	Last price on the Last Traded Day	Closing price as at the Latest Practicable Date	% change between the Offer Announcement Date and the Latest Practicable Date
Company	0.158	0.160	1.27
FSSTI	3,220.4	3,330.82	3.43

Source: Bloomberg L.P.

Between the Offer Announcement Date and the Latest Practicable Date, the market price of the Shares has increased by 1.27% while the FSSTI increased by 3.43%.

Based on the above observations, it would appear that the market price of the Shares since the Offer Announcement Date up to the Latest Practicable Date may be supported by the Offer Price. Shareholders should note that the past trading performance of the Shares should not in any way be relied upon as an indication or a promise of the future trading performance of the Shares.

7.3 NTA-based valuation of the Group

The net tangible asset (“NTA”) based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets over a reasonable period of time. NTA is computed by deducting the intangible assets from the Group’s net asset value.

NTA shows the extent to which the value of the Group is backed by tangible assets. However, it does not take into account the value of any intangible assets such as goodwill, trademarks and land use rights. NTA based valuation is meaningful only in so far as to show the extent to which the value of each Share is backed by tangible assets.

7.3.1 NTA of the Group as at 31 December 2018 against the Offer Price

Based on the latest announced unaudited statement of financial position of the Group as at 31 December 2018, the NTA of the Group was approximately RMB245.29 million, equivalent to approximately RMB5.241 per Share or S\$1.056 per Share (based on the exchange rate of S\$1:RMB4.9629 as at the Latest Practicable Date).

The Offer Price of S\$0.158 represents a discount of approximately 85.04% to the NTA per Share.

We note from the latest announced unaudited statement of financial position of the Group as at 31 December 2018, the Group was in a net cash position of approximately RMB30.45 million (being the difference between cash and cash equivalent of approximately RMB88.45 million and borrowings of approximately RMB58 million), representing approximately 12.41% of the NTA of the Group. Accordingly, the net cash per Share will be approximately RMB0.651 per Share or S\$0.131 per Share (based on the exchange rate of S\$1:RMB4.9629 as at the Latest Practicable Date).

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Excluding the net cash of approximately RMB30.45 million, the NTA of the Group would be approximately RMB214.85 million, equivalent to approximately RMB4.591 per Share or S\$0.925 per Share (based on the exchange rate of S\$1:RMB4.9629 as at the Latest Practicable Date)(“**Ex-Cash NTA per Share**”). The Offer Price, excluding net cash per Share, of approximately S\$0.027 represents a discount of approximately 97.08% to the Ex-Cash NTA per Share.

In our evaluation of the financial terms of the Offer, we have considered whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to have a material impact on the latest announced unaudited NTA of the Group as at 31 December 2018.

In this respect, save as disclosed in the latest announced unaudited financial statements of the Group as at 31 December 2018, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, there are no additional material contingent liabilities which are likely to have a material impact on the NTA of the Group.

We have also reviewed the latest announced unaudited statement of financial position of the Group as at 31 December 2018 to determine whether there are any assets that are of an intangible nature and as such, would not appear in a valuation based on NTA per Share as at 31 December 2018.

The Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, there are no additional material intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group.

7.3.2 Revalued NTA of the Group as at 31 December 2018 against the Offer Price

In our evaluation of the financial terms of the Offer, we have also considered whether there are any tangible assets which should be valued at an amount that is materially different from that which is recorded in the latest announced unaudited statement of financial position of the Group as at 31 December 2018.

In connection with the Offer, the Company has commissioned the Independent Valuer to conduct an independent valuation of the fixed assets belonging to Yinguang Technology and Jiehua Wenlv Zhiye, which consist of Industrial Properties, Machinery and Equipment and the Commercial Properties (the “**Fixed Assets**”).

The valuations are prepared based on the “Market Value” of the Fixed Assets. “Market Value” is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

Shareholders are advised to read this section in conjunction with the Valuation Report, the summary of which is set out in Appendix E of the Circular.

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We set out below a summary of the market values of the Fixed Assets:

Description	Location	Market Value (RMB million)	Revaluation Surplus/(Deficit) ⁽¹⁾ (RMB million)
Land, building, structures and construction-in-progress ("Industrial Properties")	Feizhu Road, Feicheng, Fei County, Linyi County, Shandong Province, PRC	288.80 ⁽²⁾	58.19 ⁽²⁾
Machinery and Equipment ("Machine and Equipment")	Feizhu Road, Feicheng, Fei County, Linyi County, Shandong Province, PRC	25.46	(0.037)
13/F, 14/F, 15/F of commercial space and 39 parking stalls ("Commercial Properties")	Fuyuan Plaza, Fei County, Linyi City, Shandong Province, PRC	34.35	7.02
Total		348.61	64.84

Notes:

- (1) The revaluation surplus/(deficit) is calculated as the difference between the market values of the Fixed Assets in their existing state and their corresponding book values as at the Valuation Date.
- (2) Includes the market value and revaluation surplus of land use rights of RMB103.0 million and RMB40.4 million respectively.

Shareholders should read the above in conjunction with the Valuation Report, the summary of which is set out in Appendix E to the Circular. Save as above, the other assets of the Group have not been revalued for the purpose of determining the Revalued NTA (as defined below) of the Group.

The Directors have confirmed that, save as set out above, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated market value of the assets and their respective book values as at 31 December 2018 which would have a material impact on the Revalued NTA (as defined below) of the Group.

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The NTA of the Group as at 31 December 2018, adjusted for (i) movements in the book values of the Fixed Assets for the months ended 28 February 2019 and (ii) change in valuation of the Fixed Assets (“**Revalued NTA**”), is approximately RMB260.84 million or S\$52.56 million.:

	NTA (RMB million)	NTA ⁽¹⁾ (S\$ million)
NTA of the Group as at 31 December 2018	245.29	49.43
Less: Adjustments for movements in book values of Fixed Assets from 31 December 2018 to 28 February 2019 ⁽²⁾	(2.77)	(0.56)
Add: Revaluation surplus ⁽³⁾ , net of potential tax liabilities	18.32	3.69
Revalued NTA of the Group	260.84	52.56
Revalued NTA per Share	5.57	1.12

Notes:

- (1) Based on the exchange rate of S\$1: RMB4.9629 as at the Latest Practicable Date.
- (2) Based on information provided by the management of the Company.
- (3) Excludes the revaluation surplus and potential tax liabilities relating to land use rights.

We note that the Offer Price of S\$0.158 represents a discount of approximately 85.89% to the Revalued NTA per Share of S\$1.12.

We wish to highlight that the Revalued NTA shown above include the revaluation surpluses on the Fixed Assets. Shareholders should note that the Group has not fully earned or realized the surpluses on such Fixed Assets as at the Latest Practicable Date, and that there is no assurance that any revaluation surpluses eventually recorded by the Group on the Fixed Assets will be the same as indicated above.

Shareholders should note that the above analysis assumes the hypothetical sale of the Fixed Assets of the Group as at the Latest Practicable Date. The Directors have confirmed to us that as at the Latest Practicable Date, the Group does not have any plans for an impending material disposal and/or conversion of the use of the Group’s Fixed Assets and the Group has not received any offers for the Fixed Assets at the market values set out in the table above.

7.4 Comparison with financial valuation ratios of selected listed companies which principal business are broadly comparable to those of the Group

We wish to highlight that the figures used in our financial assessment have been extracted where available and/or applicable, from Bloomberg L.P., the Circular and other publicly available sources. We make no representations or warranties, express or implied, as to the accuracy or completeness of such information.

For the purpose of assessing the Offer Price, references can be made to companies which are listed and traded on the regional exchanges, whose business activities and industries are comparable to the Company (“**Selected Comparable Companies**”) to give an indication of the current market expectations with regards to the valuation of these businesses, implied by their respective closing market prices as at the Latest Practicable Date.

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The Selected Comparable Companies have been identified through a search on Bloomberg L.P. and other public sources. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. We have had discussions with the Directors and management of the Company about the suitability of the Selected Comparable Companies serving as a basis for comparison with the core businesses of the Group and have obtained confirmations from the Directors and management of the Company on the appropriateness of the Selected Comparable Companies.

We recognise, however, that our list of Selected Comparable Companies is not exhaustive and there may not be any companies listed on the SGX-ST or other stock exchanges that is directly comparable to the Company in terms of business activities, scale of operations, types of products and services, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. As such, any comparison made with respect to the Selected Comparable Companies is therefore intended to serve as an illustrative guide only.

For the purpose of our evaluation and for illustration, we have made comparisons between the Offer Price and the valuation of the Selected Comparable Companies on a historical basis using the following:

Valuation Ratio	General Description
Price-to-Earnings (“P/E”) ratio	P/E ratio illustrates the ratio of the market price of a company’s shares relative to its consolidated after-tax earnings per share attributable to the owners of the respective companies as stated in its financial statements. The P/E ratio is affected by, <i>inter alia</i> , the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the aggregate of the most recent announced four quarters earnings per share.
Price-to-Net Asset Value (“P/NAV”) ratio	P/NAV ratio illustrates the ratio of the market price of a company’s share relative to its historical NAV per share as recorded in its financial statements. “NAV” or “net asset value” is defined as the total assets less total liabilities and excludes where applicable non-controlling interest. The NAV figure provides an estimate of the value of a company assuming the sale of its assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distributions to its shareholders. Comparisons of companies using their NAVs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NAV per share.

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Valuation Ratio	General Description
Price-to-Net Tangible Asset (“ P/NTA ”) ratio	<p>P/NTA ratio illustrates the ratio of the market price of a company’s share relative to its historical NTA per share as recorded in its financial statements. “NTA” or “net tangible asset” is defined as total tangible assets (excluding intangible assets) less total liabilities and excludes, where applicable, non-controlling interest. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies. In our analysis, we used the market price of the shares as of the Latest Practicable Date, divided by the most recently announced NTA per share.</p>
Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortisation (“ EV/EBITDA ”)	<p>“EV” or “Enterprise Value” is the sum of a company’s market capitalisation, preferred equity, independent interests, consolidated short and long term debts, inclusive of finance lease liabilities, less its consolidated cash and cash equivalents.</p> <p>“EBITDA” stands for historical consolidated earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associates’ and joint ventures’ income.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of a company’s business relative to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure.</p> <p>In our analysis, we used the Enterprise Value based on the market capitalisation as of the Latest Practicable Date divided by the most recent announced four quarters EBITDA.</p>

The statistics for the Selected Comparable Companies are based on their closing prices as at the Latest Practicable Date and the publicly available financial results based on their respective financial periods/year ends.

Comparisons between the Company and the Selected Comparable Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences.

In view of the above, it should be noted that any comparison made with respect to the Selected Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Company as at the Latest Practicable Date.

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We set out in the table below the list of Selected Comparable Companies, together with a brief description of their principal activities which are considered to be broadly comparable to the Company.

Selected Comparable Companies	Listing Location	Brief Business Description
Anhui Jiangnan Chemical Industry Co., Ltd ("Anhui Jiangnan")	PRC	Anhui Jiangnan produces explosive devices for civil uses and its main products are industrial dynamites.
Hunan Nanling Industry Explosives Material Co Ltd ("Hunan Nanling")	PRC	Hunan Nanling primarily manufactures and markets industrial explosives and fuses.
Guizhou Jiulian Industrial Explosive Material Development Co., Ltd ("Guizhou Jiulian")	PRC	Guizhou Jiulian manufactures explosive products. The Company produces industrial dynamites, blasting fuses, detonators, and other products. Guizhou Jiulian Industrial Explosive Material Development also operates import and export businesses.
Jiangxi Guotai Industrial Explosive Material Group Co., Ltd ("Jiangxi Guotai")	PRC	Jiangxi Guotai manufactures explosive including design, production, and sales of detonators, ammonium nitrate explosives, and other related products.
Shenzhen King Explorer Science and Technology Corporation ("Shenzhen King")	PRC	Shenzhen King operates as a civil blasting equipment manufacturing company. Shenzhen King designs, produces, and markets automatic explosive product lines, storage tanks, and other related products.

We set out in the table below the financial ratios of the Company and the Selected Comparable Companies listed on other stock exchanges as at the Latest Practicable Date:

Company Name	Market Capitalisation ⁽¹⁾ (S\$'million)	P/E ⁽²⁾	P/NAV	P/NTA	EV/ EBITDA ⁽³⁾
Anhui Jiangnan	1,668.5	41.0	1.5	n.m. ⁽⁴⁾	13.5
Hunan Nanling	552.1	1,350.8 ⁽⁵⁾	1.4	1.7	25.6
Guizhou Jiulian	965.8	73.8	1.5	1.8	14.0
Jiangxi Guotai	717.4	81.0	1.9	3.1	33.4
Shenzhen King	592.1	55.9	4.5	4.9	43.4
High		81.0	4.5	4.9	43.4
Median		64.9	1.5	2.5	25.6
Mean		62.9	2.2	2.9	26.0
Low		41.0	1.4	1.7	13.5
Company (Implied by the Offer Price)	7.4	n.m.⁽⁶⁾	0.1	0.1	8.1⁽⁷⁾

Source: Bloomberg L.P. and published financial statements and/or annual reports of the respective Selected Comparable Companies

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Notes:

- (1) Based on the exchange rate of S\$1:RMB 4.9629 as at the Latest Practicable Date
- (2) P/E ratio is calculated based on the earnings as extracted from the latest available unaudited full year financial statements of the Selected Comparable Companies
- (3) EV/EBITDA ratio is calculated based on the latest available unaudited full year financial statements of the Selected Comparable Companies
- (4) The Group has a net tangible liability position of approximately RMB3,895.9 million as at 31 December 2018. Hence its P/NTA ratio is negative and not meaningful.
- (5) Excluded Hunan Nanling as a statistical outlier in the analysis on the P/E ratio.
- (6) The Group recorded a loss after tax of approximately RMB24.3 million for the last twelve months period ended 31 December 2018 (“LTM”). Hence, the Group’s P/E ratio is negative and not meaningful.
- (7) EV/EBITDA ratio is calculated based on the latest available interim financial statements on a last twelve months basis of the Group

Based on the above ratio analysis, we noted that:

- (a) The LTM P/E ratio of the Group is negative and not meaningful as the Group incurred a loss after tax of approximately RMB24.3 million for the most recent twelve months as at 31 December 2018. Meanwhile, the Comparable Companies were traded at P/E ratios of between 41.0 times and 81.0 times;
- (b) The P/NAV ratio of the Group, as implied by the Offer Price, of 0.1 times is not within the range of the P/NAV ratios of the Selected Comparable Companies of between 1.4 times and 4.5 times;
- (c) The P/NTA ratio of the Group, as implied by the Offer Price, of 0.1 times is not within the range of the P/NTA ratios of the Selected Comparable Companies of between 1.7 times and 4.9 times; and
- (d) The EV/EBITDA ratio of the Group, as implied by the Offer Price, of 8.1 times is not within the range of the EV/EBITDA ratios of the Selected Comparable Companies of between 13.5 times and 43.4 times.

7.5 Comparison of selected recent takeovers of other companies listed on the SGX-ST

We note that it is the intention of the Offeror, and for the purpose of the Offer, not to maintain the listing status of the Company on the SGX-ST. In assessing the reasonableness of the Offer Price, we have compared the financial statistics implied by the Offer Price with those of selected recent completed take-overs of companies listed on the SGX-ST which were announced in the 24-month period prior to the Offer Announcement Date, where it has indicated the offeror’s intention not to preserve the listing status of the target companies (collectively, the “**Selected Comparable Transactions**”)

We wish to highlight that the list of target companies set out under the Selected Comparable Transactions are not directly comparable with the Company in terms of business activities, market capitalisation, size of operations, accounting policies, financial performance, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits.

We also wish to highlight that the list of Selected Comparable Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

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The premium (if any) that an offeror would pay in respect of any particular takeover depends on various factors, *inter alia*, the offeror's intention with regard to the target company, the potential business synergy that the offeror can gain from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets and existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Comparable Transactions set out below is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

Companies	Date of announcement	Premium / (Discount) of offer price ⁽¹⁾ over				Offer price to NTA / NAV (times)
		Last transacted market price prior to announcement (%)	VWAP for the 1-month period prior to announcement ⁽²⁾ (%)	VWAP for the 3-month period prior to announcement ⁽²⁾ (%)	VWAP for the 6-month period prior to announcement ⁽²⁾ (%)	
Auric Pacific Group Limited	7-Feb-17	13.4	17.7	23.8	35.8	1.2 ⁽³⁾
Global Premium Hotels Limited	23-Feb-17	14.1	18.1	21.7	23.3	0.5 ⁽³⁾
CWT Limited	9-Apr-17	5.9	6.4	14.8	27.3	1.5 ⁽³⁾
Nobel Design Holdings Ltd	2-May-17	8.5	9.4	15.9	18.6	0.7 ⁽⁴⁾
Changtian Plastic & Chemical Ltd	29-May-17	45.3	46.6	48.2	49.5	0.4 ⁽⁴⁾
China Flexible Packaging Holdings Limited	19-Jun-17	23.2	24.3	28.2	43.5	0.6 ⁽³⁾
GP Batteries International Limited	11-Aug-17	62.5	62.9	62.7	61.1	0.8 ⁽⁶⁾
Poh Tiong Choon Logistics Limited	20-Sep-17	1.6	32.5	43.2	48.7	3.1 ⁽³⁾
Rotary Engineering Limited	2-Oct-17	20.1	21.9	25.1	19.3	1.3 ⁽⁵⁾
Cogent Holdings Limited	3-Nov-17	5.2	6.2	12.7	177.6	3.6 ⁽³⁾
CWG International Ltd	28-Dec-17	27.5	29.5	29.2	30.8	0.4 ⁽⁵⁾
Tat Hong Holdings Ltd	11-Jan-18	42.9	47.5	49.1	40.3	0.7 ⁽³⁾
Lee Metal Group Ltd	21-Feb-18	9.1	14.1	21.4	26.5	1.0 ⁽³⁾
Weiyi Holdings Limited	13-Mar-18	31.3	40.7	44.1	44.4	0.3 ⁽⁵⁾
Wheelock Properties Singapore Limited	19-Jul-18	22.7	29.0	22.7	17.8	0.8 ⁽³⁾
M1 Limited	27-Sep-18	26.3	29.9	29.1	21.8	3.9 ⁽³⁾
Cityneon Holdings Limited	29-Oct-18	4.1	6.9	11.9	15.7	4.5 ⁽³⁾
Declout Limited	7-Jan-19	62.5	66.7	67.7	58.5	1.3 ⁽⁴⁾
Courts Asia Limited	18-Jan-19	34.9	35.8	34.0	23.5	0.6 ⁽³⁾

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Companies	Date of announcement	Premium / (Discount) of offer price ⁽¹⁾ over				Offer price to NTA / NAV (times)
		Last transacted market price prior to announcement (%)	VWAP for the 1-month period prior to announcement ⁽²⁾ (%)	VWAP for the 3-month period prior to announcement ⁽²⁾ (%)	VWAP for the 6-month period prior to announcement ⁽²⁾ (%)	
High		62.5	66.7	67.7	177.6	4.5
Median		22.7	29.0	28.2	30.8	0.8
Mean		24.3	28.7	31.9	41.3	1.4
Low		1.6	6.2	11.9	15.7	0.3
Company (implied by the Offer Price)		0	23.9	23.7	20.4	0.1⁽⁷⁾

Source: SGX-ST announcements and circulars to shareholders in relation to the respective transaction.

Notes:

- (1) Offer price is based on the final bid price per share.
- (2) The analysis is based upon the VWAP of shares traded during the specified market trading date range prior to the announcement date of the respective transactions.
- (3) Based on the NAV per share, as published in the respective circulars of the target companies.
- (4) Based on the NTA per share, as published in the respective circulars of the target companies.
- (5) Based on the revalued NAV per share, as published in the respective circulars of the target companies.
- (6) Based on the revalued NTA per share, as published in the respective circulars of the target companies.
- (7) Based on the Group's NTA per share of S\$1.056 per share as at 31 December 2018.

The key observations in respect of the above are highlighted below:

- (a) The Offer Price is equal to the Last Transacted Price. It is not within the range of the premia for the Selected Comparable Transactions;
- (b) The premium of 23.9% implied by the Offer Price over the 1-month VWAP prior to the Offer Announcement Date is within the range but lower than the mean and median of premia for the Selected Comparable Transactions;
- (c) The premium of 23.7% implied by the Offer Price over the 3-month VWAP prior to the Offer Announcement is within the range but lower than the mean and median of premia for the Selected Comparable Transactions;
- (d) The premium of 20.4% implied by the Offer Price over the 6-month VWAP prior to the Offer Announcement is within the range but lower than the mean and median of premia for the Selected Comparable Transactions; and
- (e) The P/NTA ratio of 0.1 times implied by the Offer Price is not within the range of the P/NTA or P/NAV ratios for the Selected Comparable Transactions.

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7.6 Other relevant factors for consideration

7.6.1 Outlook of the Group

In the Company's results announcement for the nine months ended 31 December 2018, the following commentary was made on the significant trends and competitive conditions of the industry in which the Group operates in:

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

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

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

7.6.2 Offeror's intention for the Company

The Offeror intends to conduct a comprehensive review of the operations, management and financial position of the Group, and will evaluate various strategic options following the close of the Offer.

The Offeror currently also has no plans for material changes to (a) the existing business of the Group, (b) the deployment of the fixed assets of the Group or (c) the employment of the employees of the Group, other than in the ordinary course of business.

7.6.3 Alternative offers from third parties

As at the Latest Practicable Date, there is no publicly available evidence of an alternative take-over offer for the Shares from any third party. The Directors have confirmed that, as at the Latest Practicable Date, save for the Offer made by the Offeror, no alternative takeover offer from any third party has been received.

7.6.4 Listing status

Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding any treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares at the close of the Offer.

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In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted.

In the event that the suspension of Shares on the SGX-ST is pursuant to Rule 724(1), Rule 1105 or Rule 1303(1) the Listing Manual, the Offeror does not intend to maintain the present listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.

7.6.5 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer or acquires or agrees to acquire such number of Offer Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares), other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer, the Offeror will be entitled to exercise the right to compulsorily acquire all the Dissenting Shareholders on the same terms as those offered under the Offer.

In such an event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with any treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares as at the final closing date of the Offer. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.**

7.6.6 Condition of the Offer

The Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to all of the issued Shares (excluding any Shares held in treasury) as at the Closing Date (including any voting rights attributable to the Shares unconditionally issued or to be issued pursuant to the valid exercise of any outstanding Options prior to the Closing Date).

7.6.7 Dividend Track Record

We noted that the Company had not declared and/or paid any dividend since the financial year ended 31 March 2015.

We wish to highlight that the above is not an indication of the Company's future dividend policy, and there is no assurance that the Company will or will not pay dividends in future and/or maintain the level of dividends paid in past periods.

APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF FABCHEM CHINA LIMITED

7.6.8 Watchlist

The Company was placed on the SGX-ST Watchlist pursuant to Rule 1311(1) (being the financial entry criteria) and Rule 1311(2) (being the minimum trading price (“MTP”) entry criteria) of the Listing Manual with effect from 5 December 2018 and 5 June 2017 respectively. Pursuant to Rule 1311(1) and Rule 1311(2), the Company has up to 4 June 2020, being the earlier of the two deadlines, to satisfy the MTP criteria, failing which the SGX-ST may either remove the Company from the Official List or suspend trading of the listed securities of the Company (without the agreement of the Company) with a view to remove the Company from the Official List.

8. RECOMMENDATION

In arriving at our recommendation in relation to the Offer, we have taken into account the factors which we consider to have a significant bearing on our assessment which includes our analyses as outlined under paragraph 7.1 to 7.6:

In evaluating and assessing the financial terms of the Offer, we have given due consideration to the following:

- (a) An assessment of the historical market price and trading activities of the Shares
 - (i) The closing price of the Shares were higher than the Offer Price for more than 118 Market Days out of 250 Market Days over the last 12-month period prior to the Last Traded Day;
 - (ii) The Offer Price represents a premium of 6.76%, 20.61%, 23.44% and 24.41% to the VWAP for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Traded Day respectively;
 - (iii) The Offer Price is equal to the Last Transacted Price and the closing price on the Market Day immediately after the Offer Announcement Date;
 - (iv) The Offer Price is equal to the VWAP for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date and a discount of 1.25% to the last transacted price as at the Latest Practicable Date respectively;
 - (v) The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior and up to the Last Traded Day represents approximately 0.02%, 0.03%, 0.05% and 0.12% of the Free Float respectively;
 - (vi) The average daily traded volume of the Shares on the Last Traded Day represents 0.98% of the Free Float;
 - (vii) The average daily traded volume of the Shares on the Market Day immediately after the Offer Announcement Date represents 15.56% of the Free Float;
 - (viii) The average daily traded volume of the Shares for the period between the Market Day immediately after the Offer Announcement Date and the Latest Practicable Date represents 0.94% of the Free Float; and
 - (ix) The average daily traded volume of the Shares on the Latest Practicable Date represents 0.12% of the Free Float.

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- (b) An assessment of the historical Share price performance relative to the FSSTI showed that (i) for the 12-month period prior to the Last Traded Day, the Shares had generally underperformed the the FSSTI on a normalised basis; and (ii) the closing price of the Shares had increased by approximately 1.27% while the FSSTI had increased by 3.43% between the Offer Announcement Date and the Latest Practicable Date.
- (c) An assessment of the NTA and Revalued NTA of the Group as follow:
- (i) The Offer Price is at a significant discount of approximately 85.04% to the unaudited NTA of the Group and would value the Group at a P/NTA ratio of 0.1 times;
 - (ii) Adjusting for the net cash position per Share, the Offer Price represents a significant discount of approximately 97.08% to the Ex-Cash NTA per Share; and
 - (iii) The Offer is also at a significant discount of approximately 85.89% to the unaudited Revalued NTA of the Group and would value the Group at a P/Revalued NTA ratio of 0.1 times.
- (d) A comparison with the valuation ratios of the Selected Comparable Companies as follows:
- (i) The LTM P/E ratio of the Group is negative and not meaningful as the Group incurred a loss after tax of approximately RMB24.3 million for the most recent twelve months as at 31 December 2018, whilst the Comparable Companies were traded at PER of between 41.0 times and 81.0 times;
 - (ii) The P/NAV ratio of the Group of 0.1 times is not within the range of the P/NAV ratios of the Selected Comparable Companies of between 1.4 times and 4.5 times;
 - (iii) The P/NTA ratio of the Group of 0.1 times is not within the range of the P/NTA ratios of the Selected Comparable Companies of between 1.7 times and 4.9 times; and
 - (iv) The EV/EBITDA ratio of the Group of 8.1 times is not within the range of the EV/EBITDA ratios of the Selected Comparable Companies of between 13.5 times and 43.4 times.
- (e) A comparison with the Selected Comparable Transactions as follows:
- (i) The Offer Price is equal to the Last Transacted Price. It is not within the range of the premia for the Selected Comparable Transactions;
 - (ii) The premium of 23.9% implied by the Offer Price over the 1-month VWAP prior to the Offer Announcement Date is within the range but lower than the mean and median of premia for the Selected Comparable Transactions;
 - (iii) The premium of 23.7% implied by the Offer Price over the 3-month VWAP prior to the Offer Announcement is within the range but lower than the mean and median of premia for the Selected Comparable Transactions;
 - (iv) The premium of 20.4% implied by the Offer Price over the 6-month VWAP prior to the Offer Announcement is within the range but lower than the mean and median of premia for the Selected Comparable Transactions; and
 - (v) The P/NTA ratio of 0.1 times implied by the Offer is not within the range of the P/NTA ratios for the Selected Comparable Transactions.

APPENDIX A: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF FABCHEM CHINA LIMITED

Having considered the above and subject to the assumptions and qualifications set out in this Letter, we are of the opinion that on balance, the financial terms of the Offer are not fair and not reasonable. Accordingly, we advise the Independent Directors to recommend that the Shareholders reject the Offer.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the financial terms of the Offer. The recommendations made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose or in any manner without the prior written consent of CICF in each specific case, other than for the purpose of the Offer.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
CEL Impetus Corporate Finance Pte. Ltd.

Ng Boon Eng
Chief Executive Officer

Ashton Chang
Senior Manager, Corporate Finance

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Designation
Wee Phui Gam	c/o 8 Robinson Road #03-00 ASO Building Singapore 048544	Acting Chairman and Lead Independent Director
Bao Hongwei	c/o 8 Robinson Road #03-00 ASO Building Singapore 048544	Managing Director
Sun Bowen	c/o 8 Robinson Road #03-00 ASO Building Singapore 048544	Non-Executive Non-Independent Director
Jiang Rongguang	c/o 8 Robinson Road #03-00 ASO Building Singapore 048544	Independent Director

2. PRINCIPAL ACTIVITIES

The Company was incorporated in Singapore on 12 October 2004 and its shares have been quoted and traded on the Mainboard of the SGX-ST since 17 April 2006.

The Group is principally engaged in the production and sale of commercial explosives products, comprising explosive devices, initiators and detonators. Its products include explosive devices (boosters), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), as well as industrial detonators (non-electric detonators and piston non-electric detonators). It also provides after-sales services to its customers such as technical assistance relating to the detonating activities. The Group's products are mainly used by the mining, hydroelectric and infrastructure construction industries, for activities such as coal mining, oil exploration, construction of hydroelectric dams, roads and railways, and large construction projects.

The segments and the types of products and services of the Group are as follows:

- (a) The explosives devices segment is a manufacturer of boosters that are used to enhance the power of the explosions and for oil and gas explorations.
- (b) The industrial and initiating explosives devices segment is a manufacturer of detonating cords and non-electric tubes.
- (c) The industrial detonators segment is a manufacturer of non-electric detonators which are used in methane-free and mine-dust-free explosion projects, detonation projects in the mining industry, the excavation of alleys and tunnels, controlled explosions and underwater demolitions.

3. SHARE CAPITAL

3.1 Issued Shares

The Company only has one (1) class of shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises S\$25,880,000 consisting of 46,800,000 Shares.

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 March 2019, such date being the end of the previous financial year of the Company. The Shares carry equal ranking rights to dividends, voting at general meetings and return of capital. As at the Latest Practicable Date, the Company has no treasury shares.

The Shares are quoted and listed on the Mainboard of the SGX-ST.

3.2 Convertible Securities

As at the Latest Practicable Date, the Company has no outstanding instruments convertible into, rights to subscribe for and options or derivatives in respect of, the Shares or securities carrying voting rights in the Company.

3.3 Rights of Shareholders in respect of capital, dividends and voting rights

The rights of Shareholders in respect of capital, dividends and voting rights are contained in the Constitution. For ease of reference, selected texts of the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting rights have been reproduced in Appendix C to this Circular.

4. DISCLOSURE OF INTERESTS AND DEALINGS

4.1 Interests of the Company in Offeror Securities

As at the Latest Practicable Date, neither the Company nor its subsidiaries have any direct or indirect interests in the Offeror Securities.

4.2 Dealings in Offeror Securities by the Company

Neither the Company nor its subsidiaries have dealt in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.3 Interests of Directors in Offeror Securities

As at the Latest Practicable Date, based on the information available to the Company, none of the Directors has any direct or deemed interest in any of the Offeror Securities.

4.4 Dealings in Offeror Securities by Directors

As at the Latest Practicable Date, based on the information available to the Company, none of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.5 Interests of Directors in Company Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in the Company Securities.

Director	Direct Interest as at the Latest Practicable Date		Deemed Interest as at the Latest Practicable Date	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Bao Hongwei ⁽²⁾	957,600	2.05	1,720,800	3.68
Sun Bowen ⁽³⁾	–	–	15,140,000	32.35

Note:

(1) The percentage shareholding is based on 46,800,000 Shares in the capital of the Company as at the Latest Practicable Date.

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

- (2) Bao Hongwei is deemed interested in the Shares held by Lombard Inc. by virtue of section 7 of the Companies Act (Cap 50) of Singapore.
- (3) Sun Bowen is deemed interested in the Shares held by Fortsmith Investments Limited by virtue of section 7 of the Companies Act (Cap 50) of Singapore.

4.6 Dealings in Company Securities by Directors

None of the Directors has dealt in the Company Securities during the period commencing six (6) months prior to Offer Announcement Date and ending on the Latest Practicable Date.

4.7 Interests of the IFA in Company Securities

As at the Latest Practicable Date, none of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, owns or controls any Company Securities.

4.8 Dealings in Company Securities by the IFA

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, has dealt for value in the Company Securities during the period commencing six (6) months prior to Offer Announcement Date and ending on the Latest Practicable Date.

4.9 Directors' intentions in respect of the Offer

As at the Latest Practicable Date, the Directors who have interests in the Shares have informed the Company of their intentions in respect of the Offer, as follows:

- (a) Bao Hongwei has informed the Company that, in his capacity as a Shareholder, he intends to accept the Offer in respect of his aggregate direct and deemed interest of 2,678,400 Shares as set out in Section 4.5 of this Appendix B above.
- (b) Sun Bowen has informed the Company that, in his capacity as a Shareholder, he does not intend to accept the Offer in respect of his deemed interest of 15,140,000 Shares as set out in Section 4.5 of this Appendix B above.

5. ARRANGEMENTS WITH DIRECTORS

5.1 Directors' service contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.2 Arrangements affecting Directors

As at the Latest Practicable Date:

- (a) there are no payments or other benefits to be made or given to any Director or to any director of any other corporation which is, by virtue of section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

- (c) there are no material contracts entered into by the Offeror in which any of the Directors has a material personal interest, whether direct or indirect.

6. MATERIAL CONTRACTS

6.1 Disclosure under the Code

Save as disclosed in publicly available information on the Company and in this Circular, neither the Company nor any of its subsidiaries has entered into any material contracts with interested persons¹ (other than those entered into in the ordinary course of business) during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

6.2 Summary of material contract

The details of the material contract entered into by the Group with interested persons (other than those entered into in the ordinary course of business) are as follows:

Acquisition of Property by Shandong Yinguang Technology Co. Ltd (“Yinguang Technology”)

On 12 June 2017, the Company announced that Yinguang Technology, a wholly-owned subsidiary of the Company, had on the same day entered into a term sheet with Shangdong Yinguang Tianhong Property Development Co., Ltd (“Vendor”), pursuant to which Yinguang Technology had agreed on the principal terms to, subject to certain conditions, acquire the 13th, 14th and 15th storeys, comprising a total built-up area of 3,499.83 square metres, as well as 39 carpark lots, of Yinguang Fuyuan Plaza, an 18-storey office building located at the intersection of Jianshe Road and G327, 100m North, Fei County, Linyi, Shandong Province, Peoples Republic of China (“Property”), for a total cash consideration of RMB32.87 million. The Property is managed by Linyi Yincheng Estate Management Co., Ltd (“Yincheng Estate Management”), which is wholly-owned by the Vendor.

The Vendor is wholly-owned by Shandong Yinguang Chemical Group Co., Ltd (“Yinguang Chemical Group”). Bao Hongwei and Sun Bowen, both Directors of the Company, are also shareholders in Yinguang Chemical Group, which in turn is the sole shareholder of the Vendor, which is itself the sole shareholder of Yincheng Estate Management. By virtue of these relationships, the Vendor and Yincheng Estate Management are considered companies in which Bao Hongwei and Sun Bowen, indirectly, have an interest in 30% or more, and are therefore deemed to be interested persons. Accordingly, the Acquisition was deemed an interested person transaction and subject to Chapter 9 of the Listing Manual and Shareholders’ approval for the Acquisition.

¹ As defined in the Note to Rule 24.6 read with the Note on Rule 23.12 of the Code, an interested person is:

- (a) a director, chief executive officer, or substantial shareholder of the Company;
- (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

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On 14 July 2017, the Company issued a circular to the Shareholders setting out, *inter alia*, details of the Acquisition, including information on the Property, rationale for the Acquisition, valuation of the Property, risk factors, principal terms and financial effects of the Acquisition, as well as a notice of extraordinary general meeting to be convened to seek, *inter alia*, Shareholders' approval for the Acquisition. The Company's announcement on 12 June 2017 of the Acquisition and circular to Shareholders dated 14 July 2017 are available for download from SGXNET at www.sgx.com.

The extraordinary general meeting was held on 31 July 2017, at which, the Shareholders approved, *inter alia*, the Acquisition.

The Acquisition was completed during FY2018.

7. FINANCIAL INFORMATION

7.1 Consolidated statement of comprehensive income

A summary of the financial information extracted from the annual reports of the Company for FY2016, FY2017 and FY2018, and from the 9M2019 Results is set out below. The financial information for FY2016, FY2017 and FY2018 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2016, FY2017 and FY2018, and the financial information for 9M2019 should be read in conjunction with the 9M2019 Results and the accompanying notes as set out in the financial statements.

	Unaudited 9M2019 RMB'000	Audited FY2018 RMB'000	Audited FY2017 RMB'000	Audited FY2016 RMB'000
Revenue	128,272	191,260	148,531	198,390
Exceptional items	–	–	–	–
Loss before tax from continuing operations	(18,094)	(19,990)	(33,855)	(21,724)
Loss from continuing operations, net of tax	(19,096)	(19,828)	(25,135)	(25,486)
Profit/(Loss) from discontinuing operations, net of tax	–	–	26,157	(8,337)
(Loss)/Profit attributable to shareholders	(19,096)	(19,828)	1,022	(33,823)
Non-controlling interests	–	–	–	–
(Loss)/Earnings per Share	RMB cents	RMB cents	RMB cents	RMB cents
Basic				
Continuing operations	(40.80)	(42.37)	(53.71)	(54.46)
Discontinued operation	–	–	55.89	(17.81)
	(40.80)	(42.37)	2.18	(72.27)
Diluted				
Continuing operations	(40.80)	(42.37)	(53.71)	(54.46)
Discontinued operation	–	–	55.89	(17.81)
	(40.80)	(42.37)	2.18	(72.27)

No dividends were declared or paid by the Company in respect of each of FY2016, FY2017 and FY2018.

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

7.2 Consolidated statement of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 March 2018 and unaudited consolidated statement of financial position as at 31 December 2018 are set out below. The summary set out below should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual report of the Company for FY2018 and the 9M2019 Results.

	Unaudited 31 December 2018 RMB'000	Audited 31 March 2018 RMB'000
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	223,936	228,186
Other assets, non-current	78,224	80,251
Deferred tax assets	17,962	18,189
Total non-current assets	320,122	326,626
<u>Current assets</u>		
Inventories	25,018	32,068
Trade and other receivables	37,037	54,728
Other assets, current	14,032	9,268
Cash and cash equivalents	88,446	89,018
Total current assets	164,533	185,082
Total assets	484,655	511,708
EQUITY AND LIABILITIES		
<u>Equity</u>		
Share capital	116,849	116,849
Retained earnings	117,676	143,527
Other reserves	88,993	88,952
Total equity	323,518	349,328
Less: Non-controlling interest	—	—
Equity attributable to owners of the Company	323,518	349,328
<u>Non-current liabilities</u>		
Deferred tax liabilities	2,500	2,225
Other payables, non-current	19,104	18,293
Total non-current liabilities	21,604	20,518
<u>Current liabilities</u>		
Trade and other payables	74,595	77,655
Other financial liabilities	58,000	59,650
Other liabilities, current	6,938	4,557
Total current liabilities	139,533	141,862
Total liabilities	161,137	162,380
Total equity and liabilities	484,655	511,708

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Copies of the annual reports of the Company for FY2016, FY2017 and FY2018 and the 9M2019 Results are available for inspection at the Company's registered office at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 during normal business hours from the date of this Circular up to and including the Closing Date.

7.3 Material changes in financial position

Save as disclosed in this Circular and in any information on the Group which is publicly available (including without limitation, the announcements released by the Company on SGXNET), there have been no material changes to the financial position of the Group as at the Latest Practicable Date since 31 March 2018, being the date of the last published audited accounts of the Group laid before the Shareholders in general meeting.

7.4 Significant accounting policies

The significant accounting policies of the Group are disclosed in note 2 to the audited consolidated financial statements of the Group for FY2018 as set out in the annual report of the Company for FY2018 on pages 66 to 75 therein, and are reproduced in Appendix D of this Circular. Save as disclosed in this Circular and in publicly available information on the Group, there are no significant accounting policies or any matter from the notes to the financial statements of the Group which are of any major relevance for the interpretation of the accounts of the Group referred to in this Circular.

7.5 Changes in accounting policies

As set out in the annual report of the Company for FY2018 on page 109 therein and reproduced in Appendix D of this Circular, the Group will adopt Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and the related standards and Interpretations of SFRS(I) ("**Int SFRS(I)**") that are relevant to its operations for reporting periods beginning on or after 1 April 2018.

As at the Latest Practicable Date, the Group has adopted SFRS(I) and Int SFRS(I) that are relevant to its operations which became effective for FY2019.

The impact of the adoption of SFRS(I) on the Group's financial statements, are extracted from the 9M2019 Results on page 8 therein, and are as follows:

*"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."

Save as disclosed in this Circular and publicly available information on the Group, the Group has applied the same accounting policies and method of computation as with those in the audited financial statements of the Group for FY2018 and there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

APPENDIX B: GENERAL INFORMATION RELATING TO THE COMPANY

7.6 Valuation of Assets

The Company had commissioned an independent valuation of the property, plant and equipment of the Group (“**Fixed Assets**”) by the Valuer. The Valuation Summary is set out in Appendix E to this Circular. Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. Based on the market value of the Fixed Assets provided to the Company by the Valuer, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Fixed Assets is approximately RMB16.2 million. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the Fixed Assets. As at the Latest Practicable Date, the Group has no immediate plans to dispose of its interests in the Fixed Assets.

8. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially affect the financial position of the Group taken as a whole; and
- (b) the Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position of the Group taken as a whole.

9. COSTS AND EXPENSES

All costs and expenses incurred by the Company in respect of the Offer will be borne by the Company.

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

The rights of Shareholders in respect of capital, dividends and voting rights are contained in the Constitution, the relevant provisions of which are set out below:

Please see the definitions in the Constitution for terms used in the reproduced extracts below.

1. The rights of Shareholders in respect of capital

SHARES

- | | | |
|-------|--|--|
| 5. | <i>Subject to the Statutes, no shares may be issued without the prior approval of the Company in General Meeting but subject thereto and to these Articles relating to new shares and to any special right attached to any share for the time being issued, the Directors may allot (with or without conferring any right of renunciation), grant options over or otherwise dispose of the same to such persons on such terms and conditions (including such consideration) and at such time as the Directors determine Provided Always that the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.</i> | <i>Shares under control of Company in General Meeting.</i> |
| 6(1). | <i>The Company in General Meeting may by Ordinary Resolution authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held whichever is the earlier but may be previously revoked or varied by the Company in General Meeting Provided Always that no shares may be issued to transfer a controlling interest without prior approval of the Company in General Meeting.</i> | <i>Authority of Directors to issue shares.</i> |
| 6(2). | <i>Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit.</i> | |
| 7. | <i>Any share in the Company may be issued with such preferred, qualified, deferred or other special rights, privileges and conditions or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject to the Statutes, the Company may issue preference shares which are or, at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by Ordinary Resolution determine.</i> | <i>Company may issue shares with preferred qualified, deferred and other special rights.</i> |
| 8. | <i>The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued.</i> | <i>Issue of further preference shares.</i> |

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

9. *Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference share concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.* Alteration of rights of preference shareholders.
10. *Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.* Rights of preference shareholders.
11. *If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the holder for the time being of the share or his legal personal representative.* Instalments of shares.
12. *The Company may pay a commission to any person in consideration of his subscribing, or agreeing to subscribe, whether absolutely or conditionally, for any share in the capital of the Company but such commission shall not exceed ten per cent of the price at which the shares are issued or an amount equivalent thereof. Any such commission may be paid in whole or in part in cash or fully or partly paid shares of the Company at par as may be arranged, and the Company may, in addition to, or in lieu of, such commission, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, whether absolute or conditional, for any share in the Company, confer on any such person an option call within a specified time for a specified number or amount of shares in the Company at a specified price. The payment or agreement to pay a commission or the conferring of an option shall be in the discretion of the Directors on behalf of the Company. The requirements of the Statutes shall be observed, so far as applicable.* Commission for subscribing.
- 13(1). *The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member.* Joint holders.

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- 13(2). *Subject to Article 13(1), any two or more persons may be registered as joint holders of any share and the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls and interest (if any) due in respect of such share.*
- 13(3). *The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.*
14. *No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent, future to partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the person (other than the depository) entered in the Register as the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be, except only where these Articles otherwise provide or as required by the Statutes or pursuant to any order of Court.* No trusts recognised.
15. *No person shall exercise any rights of a Member in respect of a share until his name shall have been entered in the Register as the registered holder thereof or in the Depository Register in respect of such share, as the case may be, and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him.* Exercise of rights of Members.
16. *No part of the funds of the Company shall be employed by the Directors or the Company in the acquisition of shares in the Company or in lending on the security of shares in the Company unless permitted by the Statutes.* Company not to deal with its own shares.

SHARE CERTIFICATE

17. *Every certificate for shares shall be under the Seal.* Authentication of certificates.
18. *Every certificate of shares shall specify the number of the shares in respect of which it is issued, and amount paid up thereon. No share certificate shall be issued representing shares of more than one class.* Certificates shall specify number of shares.
19. *Every person whose name is entered as a registered holder in the Register shall be entitled without payment to receive within ten Market Days (or such other period as may be approved by the Exchange) after the closing date for applications to subscribe for a new issue of shares and within fifteen Market Days (or such other period as may be approved by the Exchange) after lodgement of a registrable transfer one certificate under the Seal in respect of each class of shares held by him for all his shares in that class or several certificates in reasonable denominations each for one or more of his shares in any one class subject to such person's prior payment of two Singapore Dollars (or such other sum as the Directors shall from time to time determine having regard to any limitation thereof as the Exchange may prescribe) for every certificate after the first and such stamp duty as is payable on such certificate unless otherwise directed by the Directors Provided Always that in the case of joint registered holders, the Company shall not be bound to issue more than one certificate and delivery of such certificate to any one of them shall be sufficient delivery to all such holders.* Member's right to certificate & cancellation of certificates.

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- 20(1). *Where only some of the shares comprised in any share certificate are transferred, the old certificate shall be cancelled and a new certificate for the balance of such shares shall be issued in lieu thereof without charge.* Issue of replacement certificates.
- 20(2). *Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register may be cancelled at his request and a single new certificate for such shares issued in lieu thereof without charge.*
- 20(3). *Any share certificate representing shares of any class held by any person whose name is entered in the Register may be surrendered by such person for cancellation and at his request the Company may issue in lieu thereof two or more share certificates representing such shares in such proportions as such person may specify, and the Directors may comply with such request if they think fit. Such person shall pay a maximum of two Singapore Dollars for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine, taking into consideration any limitation thereof as may be prescribed by the Exchange.*
- 20(4). *Subject to the Statutes, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indemnity or undertaking (if required) being given by the purchaser, registered holder, transferee, person entitled or Member company of the Exchange or on its behalf or their client or clients as the Directors shall require and in the case of defacement or wearing out on delivery up of the old certificate and in any case on payment of such sum not exceeding two Singapore Dollars as the Directors may from time to time require (or such other amount not exceeding two Singapore Dollars as may be permitted under the Statutes). In the case of theft, destruction or loss the registered holder or the person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such theft, destruction or loss.*
- 20(5). *Where shares are registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.*
21. *The certificates of shares registered in the names of two or more persons may be delivered to the joint holder first named in the Register.* Delivery of share certificates.

LIEN ON SHARES

22. *The Company shall have a first and paramount lien on every share (not being a fully-paid share) and all dividends or interests from time to time declared in respect thereof for all moneys (whether presently payable or not) called or payable at a fixed time, in respect of that share and for all moneys which the Company may be called upon by law to pay in respect of the shares of the Member or the deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Article 22.* Company's lien on shares.

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

23. *For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, and no sale shall be made until such time as the moneys are presently payable, and until a notice in writing stating the amount due and demanding payment, and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on the holder for the time being of the share or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice.* *Right to enforce lien by sale.*
24. *The net proceeds of any such sale shall be applied in or towards the satisfaction of the amount due, and the residue (if any) shall be paid to the person whose share has been sold, his executors, administrators, trustees or assignees or as he shall direct.* *Application of proceeds of sale.*
25. *To give effect to any such sale the Directors may authorise some person to transfer or to effect the transfer, as the case may be of the shares sold to the purchaser.* *How sale to be effected.*

CALLS ON SHARES

26. *The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.* *Powers of Directors to make calls.*
27. *The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof.* *Joint and several liability.*
28. *If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof.* *Interest on unpaid calls.*
29. *Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of these Articles or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided.* *Sums payable under terms of allotment to be deemed calls.*
30. *The Directors may from to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.* *Difference in calls between various holders.*

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31. *The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.*
- Payment of call in advance.*

FORFEITURE OF SHARES

32. *If any Member falls to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment of the same or any interest thereon, the Directors may at any time thereafter during such time as the call or instalment or interest remains unpaid serve a notice on such Member requiring him to pay the same, together with any interest (including interest upon interest) and expenses that may have been incurred by the Company by reason of such non-payment.*
- Notice to be given of intended forfeiture.*
33. *The notice shall name a further day (not being less than fourteen days from the date of service of the notice) and a place on and at which such call or instalment and such interest expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment or interest is payable shall be liable to be forfeited.*
- Form of notice.*
34. *If the requirements of any notice as aforesaid are not complied with, any share in respect of which the notice has been given, may at any time thereafter, before payment of all such calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.*
- If notice not complied with shares may be forfeited.*
35. *Any share so forfeited or surrendered shall be deemed to be the property of the Company, and the Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed.*
- Sale etc of forfeited and surrendered shares.*
36. *The Directors may at any time before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture or surrender thereof upon such conditions as they think fit.*
- Power to annul forfeiture.*
37. *For the purpose of giving effect to any sale of forfeited or surrendered shares, the Directors may authorise some person to transfer or to effect the transfer of, as the case may be, the shares sold to the purchaser.*
- Transfer of forfeited or surrendered shares.*

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38. *Any Member whose shares shall have been forfeited or surrendered shall cease to be a Member in respect of the forfeited or surrendered shares but shall, notwithstanding such forfeiture or surrender, be liable to pay, and shall forthwith pay to the Company all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until payment, at the rate of eight per cent per annum and the Directors may enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do. Any residue after the satisfaction of the unpaid calls, accrued interest and expenses shall be paid to the person whose shares have been forfeited or surrendered, his executors, administrators, trustees or assignees or as he shall direct.* *Liability on forfeited share.*
- 39(1). *A statutory declaration in writing that the declarant is a Director or the Secretary, and that a share has been duly forfeited, surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate, where the same be required, delivered to a purchaser or (where the purchaser is a Depositor) to the Depository or the allottee thereof, as the case may be, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share.* *Declaration by Director or Secretary conclusive of fact of forfeiture.*
- 39(2). (a) *In the event of such sale, re-allotment or disposal, where the person (the "Relevant Person") to whom the share is sold, re-allotted or disposed of is not a Depositor, the share shall be registered in the Register in the name of the Relevant Person and, where the Relevant Person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.*
- (b) *The Relevant Person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.*

TRANSFER OF SHARES

40. *Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Exchange. The instrument of transfer shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.* *Shares to be transferable.*

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41. *The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.* *Instrument of transfer.*
42. *Shares of different classes shall not be comprised in the same instrument of transfer.* *Only Shares of same class to be in same instrument.*
43. *No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.* *Restriction on transfer.*
- 44(1). *All instruments of transfer which are registered shall retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.* *Retention of Instrument of transfer and disposal of documents.*
- 44(2). *The Company shall be entitled to destroy:-*
- (a) *all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof;*
 - (b) *all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof; and*
 - (c) *all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof.*
- 44(3). *It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and that:*
- (a) *every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;*
 - (b) *every share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and*
 - (c) *every other document hereinbefore mentioned so destroyed was a valid and effective document;*
- in accordance with the recorded particulars thereof in the books or records of the Company.*
- 44(4). *Articles 44(2) and 44(3) shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant.*

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- 44(5). *Nothing contained in this Article 44 shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstance which would not attach to the Company in the absence of this Article 44, and references in the Article 44 to the destruction of any document include references to the disposal thereof in any manner.*
45. *The Directors may decline to accept any instrument of transfer unless:-*
- (a) *all or any part of the stamp duty (if any) payable on each share transfer and such fee not exceeding two Singapore Dollars for each transfer or such other sum as may from time to time be prescribed by the Exchange is paid to the Company; and*
- (b) *such fee not exceeding two Singapore Dollars as the Directors may from time to time determine is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.*
46. *The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:-*
- (a) *which are not fully paid up: or*
- (b) *on which the Company has a lien.*
47. *If the Directors refuse to register any transfer of any shares they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.*
48. *The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.*

Fees relating to transfers.

Power of Directors to refuse to register.

Notice of refusal to be sent by Company.

Closure of the Register.

TRANSMISSION OF SHARES

- 49(1). *In the case of the death of a Member the survivor where the deceased was a joint holder, and the legal personal representative of the deceased who was a sole or only surviving holder, or where such legal representative is entered in the Depository Register in respect of the shares of the deceased Member who was a Depositor, shall be the only person recognised by the Company as having any title to his shares.*
- 49(2). *Nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share solely or jointly held by him.*

Transmission of registered shares.

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50. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register may upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the share, upon giving to the Company notice in writing of such intent, or to make such transfer thereof as such deceased or bankrupt person could have made, but the Directors shall in either case have the same right to refuse or suspend registration as they would have had in the case of such transfer by such deceased or bankrupt person before the death or bankruptcy, as the case may be. *Rights of registration and transfer upon demise or bankruptcy of Member.*
51. Save as otherwise provided in these Articles, a person becoming entitled to a share pursuant to Articles 49(1) and 50, shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall have no right to receive notice or to attend or vote at meetings of the Company, or (save as aforesaid) to any of the rights or privileges of a Member until he shall have been registered as a Member in the Register or his name shall have been entered in the Depository Register, as the case may be. Provided Always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or transfer the share, and if the notice is not complied with within ninety days of the date of such notice, the Directors may therefore withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with. *Person registered under transmission clause entitled to dividends.*

PURCHASE OF OWN SHARES

52. Subject to and in accordance with the provisions of the Act, the Company may purchase or otherwise acquire ordinary shares issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. *Company may purchase its own shares.*

STOCK

53. The Company in General Meeting may by Ordinary Resolution convert any paid-up shares into stock and may from time to time reconvert such stock into paid-up shares. *Conversion of shares to stock.*
54. When any shares have been converted into stock the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in General Meeting shall direct, but in default of any direction then in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum amount of stock transferable. *Stockholders entitled to transfer interest.*

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55. *The several holders of stock shall be entitled to participate in the dividends and profits of the Company according to the amount of the respective interests in such stock and such interests shall, in proportion to the amount thereof, confer on the holders thereof respectively the same rights, privileges and advantages for the purposes of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such rights, privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any such aliquot part of consolidated stock as would not, if existing in shares, have conferred such rights, privileges or advantages.*

Stockholders entitled to profits.

56. *All such provisions of these Articles as are applicable to paid up shares shall apply to stock and in all such provisions the words "shares" shall include "stock", and "Depositor", "Member" and "shareholder" shall include "stockholder".*

Definitions.

INCREASE OF CAPITAL

57. *The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase shall direct.*

Power to increase capital.

58(1). *Unless otherwise determined by the Company in General Meeting or except as permitted under the Exchange's listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled.*

Issue of new shares to Members.

58(2) *The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ration which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.*

Notice of issue.

59. *Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.*

New capital considered part of original capital.

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

ALTERATION OF CAPITAL

- 60(1). *The Company may by Ordinary Resolution:-* *Alteration of capital.*
- (a) *consolidate and divide all or any of its share capital; or*
 - (b) *cancel the number of shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the number of the shares so cancelled; or*
 - (c) *sub-divide its existing shares or any of them. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or*
 - (d) *subject to the Statutes, convert any class of shares into any other class of shares.*
- 60(2). *The Company may by Special Resolution reduce its share capital in any manner and with and subject to any requirement authorised and consent required by law.*

MODIFICATION OF CLASS RIGHTS

61. *Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.* *Modification of class rights.*

2. The rights of Shareholders in respect of voting

GENERAL MEETINGS

66. *In addition to any other meetings, a General Meeting shall be held once at least in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.* *General Meetings.*
67. *The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings.* *Annual General Meetings.*

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

68. *The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine.* *First Annual General Meeting.*
69. *The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes.* *Directors may call Extraordinary Meetings.*
70. *The Directors shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:-* *Extraordinary General Meetings called on requisition of shareholders.*
- (a) *The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.*
- (b) *If the Directors of the Company do not proceed to cause a meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one-half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.*
- (c) *In the case of a meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.*
- (d) *Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.*
71. *Subject to the Statutes relating to the convening of meetings to pass special Resolutions and agreements for shorter notice, at least fourteen clear days' notice in writing specifying the place, day and hour of the meeting, and in case of special business, a notice in writing settling out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members and the Exchange other than such as are not entitled under these Articles to receive such notices from the Company. At least fourteen days notice in writing of any General Meeting shall be given and at least twenty-one days' notice in writing in the case of a Meeting to pass Special Resolution shall be given to all Members and the Exchange. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore at least fourteen clear days before the meeting. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice in writing of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.* *Notice of Meeting.*

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

72. *Any Member entitled to be present and vote at a meeting or his proxy may submit any resolution to any General Meeting, provided that at least for the prescribed time before the day appointed for the meeting he shall have served upon the Company a notice in writing by him containing the proposed resolution, and stating his intention to submit the same. The prescribed time abovementioned shall be such that, between the date that the notice is served and the day appointed for the meeting, there shall be not less than three nor more fourteen intervening days.* *Members may submit resolution to meeting on giving notice to Company.*
73. *Upon receipt of any such notice as in the last preceding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution will be proposed.* *Secretary to give notice to Members.*
74. *The accidental omission to give any notice to or non-receipt of any notice by any Member shall not invalidate the meeting or any resolution passed or proceedings at any such meeting.* *Accidental omission to give notice.*

PROCEEDINGS AT GENERAL MEETINGS

75. *All business shall be deemed special that is transacted at an Extraordinary General Meeting and also all business that is transacted at an Annual General Meeting with the exception of the consideration of the accounts, balance sheets and reports (if any) of the Directors and Auditors, the fixing of the remuneration of Directors, the election of Directors in the palace of those retiring, the declaration of dividends and the appointment of and the fixing of the remuneration of the Auditors.* *Special business.*
76. *Save as is herein otherwise provided, two Members present in person or by proxy shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum is present at the commencement of the business. A corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Article 91.* *Quorum.*
77. *If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum.* *If quorum not present.*
78. *The Chairman (if any) of the Board of Directors shall preside as Chairman at every General Meeting, but if there be no such Chairman, or if any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director or, if no Director be present or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting.* *Chairman.*

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

79. *The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.* *Adjournment.*
80. *At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:-* *How matters are decided.*
- (a) *the Chairman of the meeting; or*
- (b) *not less than two Members present in person or by proxy and entitled to vote; or*
- (c) *a Member or Members present in person or by proxy, holding or representing, as the case may be:-*
- (i) *not less than one-tenth of the total voting rights or all Members entitled to vote at the meeting; or*
- (ii) *shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.*
- 81(1). *If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.* *Chairman's direction as to poll.*
- 81(2). *No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.*
82. *Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.* *Declaration of Chairman conclusive.*
- 83(1). *No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.* *Objection to admissibility.*
- 83(2). *If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment therefore as the case may be, it shall be of sufficient importance to vitiate the result of the voting.*

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

84. *In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote.* *In the event of equality of votes.*

VOTES OF MEMBERS

- 85(1). *Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company:-* *Voting rights.*
- (a) *every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman to decide which proxy shall be entitled to vote where a Member is represented by two proxies; and*
- (b) *every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.*
- 85(2). *For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.*
86. *In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.* *Right of joint holders.*
87. *Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.* *Members only entitled to vote upon full payment.*
88. *A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.* *Votes of Members of unsound mind.*
89. *On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.* *Vote personal or by proxy.*
- 90(1). *A proxy need not be a Member.*

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

- 90(2). *A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:-*
- (a) *to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.*
 - (b) *to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of the Depositor; and*
 - (c) *in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.*
- 90(3). *In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If not proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.*
91. *Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder.* Corporation may appoint representative.
92. *An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:-* Execution of instrument of proxy on behalf of appointor.
- (1) *in the case of an individual shall be signed by the appointor or his attorney;*
 - (2) *in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.*
93. *Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person, named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.* Lodgement of instrument appointing proxy.

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

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|-----|--|---|
| 94. | <i>The signature on an instrument of proxy need not be witnessed.</i> | <i>No witness needed for instrument of proxy.</i> |
| 95. | <i>A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.</i> | <i>When vote by proxy valid though authority revoked.</i> |
| 96. | <i>An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.</i> | <i>Instrument deemed to confer authority.</i> |
| 97. | <i>Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.</i> | <i>Voting in respect of shares of different monetary denominations.</i> |

3. The rights of Shareholders in respect of dividends

DIVIDENDS

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|------|---|---|
| 135. | <i>The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them respectively.</i> | <i>Appropriation of profits.</i> |
| 136. | <i>The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.</i> | <i>Declaration of Dividend.</i> |
| 137. | <i>No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.</i> | <i>Dividend payable out of profits.</i> |
| 138. | <i>The declaration of the Directors as to the net profits of the Company shall be conclusive.</i> | <i>Declaration conclusive.</i> |
| 139. | <i>The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months.</i> | <i>Interim dividend.</i> |
| 140. | <i>The directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.</i> | <i>Debts may be deducted.</i> |

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

141. *A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.* *Effect of transfer.*
142. *Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures, or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.* *Dividend in specie.*
143. *The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.* *Power to retain dividends.*
144. *In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.* *Payment to and receipt by joint holders.*
145. *Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.* *Notice of dividend.*

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

146. *Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.* *Payment by post.*
147. *The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.* *Unclaimed dividends.*

CAPITALISATION OF PROFITS AND RESERVES

- 148(1). *The Company in General Meeting may, upon the recommendation of the Directors, resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve funds or to the credit of the profit and loss account or otherwise available for distribution; and accordingly that such sum be set free for distribution amongst the holders of shares in the Register or in the Depository Register, as the case may be, who would have been entitled thereto if distributed by way of dividends and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up on full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such holders or in their nominees in the proportion aforesaid or partly in the one way and partly in the other and the Directors shall give effect to such resolution.* *Capitalisation of profits and reserves.*

APPENDIX C: RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

148(2). *Whenever such resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the amounts resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register or in the Depository Register, as the case may be, under such resolution to a fractional part of a share by the issue of fractional certificates or by payment in cash or otherwise as they think fit and also to authorise any persons to enter on behalf of such holders entitled thereto or their nominees into an agreement with the Company providing for the allotment to them respectively credited as fully paid up of any further shares to which they may be entitled upon such capitalisation; and any agreement made under such authority shall be effective and binding on all such holders and their nominees.*

RESERVE FUND

149. *The Directors may, before declaring any dividend or bonus in respect of any class of shares out of or in respect of the earnings or profits of the Company for any yearly or other period, cause to be reserved or retained and set aside out of such sums as they may determine to form a Reserve Fund to meet contingencies or depreciation in the value of the property of the Company, or for equalising dividends or for special dividends or for distribution of bonuses or for repairing , improving and maintaining any of the property of the Company, or for such other purposes the Directors shall, in their absolute discretion, think conducive to the interest of the Company.*

*Formation
and object of
Reserve Fund.*

**APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

**CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year ended 31 March 2018

	Notes	Group	
		2018	2017
		RMB'000	RMB'000
Revenue	5	191,260	148,531
Cost of sales		(155,318)	(126,285)
Gross profit		35,942	22,246
Interest income	6	283	289
Other gains	7	2,483	2,382
Distribution costs		(21,297)	(18,878)
Administrative expenses		(30,701)	(31,225)
Finance costs	6	(3,355)	(3,532)
Other losses	7	(3,345)	(5,137)
Loss before tax from continuing operations		(19,990)	(33,855)
Income tax income	9	162	8,720
Loss from continuing operations, net of tax		(19,828)	(25,135)
Profit from discontinued operation, for the year	10	–	26,157
(Loss) / Profit, net of tax		(19,828)	1,022
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(17)	97
Other comprehensive (loss) / income for the year, net of tax		(17)	97
Total comprehensive (loss) / income for the year		(19,845)	1,119
		RMB	RMB
(Loss) / Earnings per share			
Currency unit		Cents	Cents
Basic			
Continuing operations	11	(42.37)	(53.71)
Discontinued operation	11	–	55.89
Total		(42.37)	2.18
Diluted			
Continuing operations	11	(42.37)	(53.71)
Discontinued operation	11	–	55.89
Total		(42.37)	2.18

The accompanying notes form an integral part of these financial statements.

**APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

**STATEMENTS OF
FINANCIAL POSITION**

As at 31 March 2018

	Notes	Group		Company	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	228,186	207,940	76	113
Other assets, non-current	14	80,251	75,566	–	–
Investment in subsidiaries	15	–	–	107,931	111,150
Deferred tax assets	9	18,189	17,327	–	–
Total non-current assets		326,626	300,833	108,007	111,263
Current assets					
Inventories	16	32,068	35,353	–	–
Trade and other receivables	17	54,728	61,135	78	30
Other assets, current	14	9,268	20,365	136	143
Cash and cash equivalents	18	89,018	83,250	358	200
Total current assets		185,082	200,103	572	373
Total assets		511,708	500,936	108,579	111,636
EQUITY AND LIABILITIES					
Equity					
Share capital	19	116,849	116,849	116,849	116,849
Retained earnings / (Accumulated losses)		143,527	163,355	(6,539)	(7,816)
Other reserves	20	88,952	88,969	(4,377)	(1,141)
Total equity		349,328	369,173	105,933	107,892
Non-current liabilities					
Deferred tax liabilities	9	2,225	2,075	–	–
Other payables, non-current	21	18,293	–	–	–
Total non-current liabilities		20,518	2,075	–	–
Current liabilities					
Trade and other payables	21	77,655	67,489	2,646	3,744
Other financial liabilities	22	59,650	59,650	–	–
Other liabilities, current	23	4,557	2,549	–	–
Total current liabilities		141,862	129,688	2,646	3,744
Total liabilities		162,380	131,763	2,646	3,744
Total equity and liabilities		511,708	500,936	108,579	111,636

The accompanying notes form an integral part of these financial statements.

**APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

**STATEMENTS OF
CHANGES IN EQUITY**

Year ended 31 March 2018

Group:	Total equity	Share capital	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current year:						
Opening balance at 1 April 2017	369,173	116,849	163,355	44,000	44,117	852
Changes in equity:						
Total comprehensive loss for the year	(19,845)	–	(19,828)	–	–	(17)
Closing balance at 31 March 2018	349,328	116,849	143,527	44,000	44,117	835
Previous year:						
Opening balance at 1 April 2016	368,054	116,849	162,333	44,000	44,117	755
Changes in equity:						
Total comprehensive income for the year	1,119	–	1,022	–	–	97
Closing balance at 31 March 2017	369,173	116,849	163,355	44,000	44,117	852

Company:	Total equity	Share capital	Retained earnings / (Accumulated) losses	Foreign currency translation reserve
	RMB'000	RMB'000	RMB'000	RMB'000
Current year:				
Opening balance at 1 April 2017	107,892	116,849	(7,816)	(1,141)
Changes in equity:				
Total comprehensive loss for the year	(1,959)	–	1,277	(3,236)
Closing balance at 31 March 2018	105,933	116,849	(6,539)	(4,377)
Previous year:				
Opening balance at 1 April 2016	114,964	116,849	2,671	(4,556)
Changes in equity:				
Total comprehensive loss for the year	(7,072)	–	(10,487)	3,415
Closing balance at 31 March 2017	107,892	116,849	(7,816)	(1,141)

The accompanying notes form an integral part of these financial statements.

**APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before tax from continuing operations	(19,990)	(33,855)
Adjustments for:		
Allowance for impairment on trade and other receivables – loss	1,692	3,808
Allowance for impairment on trade and other receivables – reversal	(330)	(1,700)
Amortisation of land use rights	2,719	2,685
Depreciation of property, plant and equipment	18,090	18,285
(Gain) / Loss on disposal of plant and equipment	(1,218)	182
Property, plant and equipment written-off	55	723
Provision for safety expenses	2,656	1,806
Inventories written-off	58	–
Net effect of exchange rate changes in translation of financial statements of parent company	(15)	94
Interest expense	3,355	3,532
Interest income	(283)	(289)
Operating cash flows before changes in working capital	6,789	(4,729)
Inventories	3,227	4,438
Trade and other receivables	5,045	(11,289)
Other assets	3,693	(4,123)
Trade and other payables	10,166	10,592
Other liabilities	(648)	(2,084)
Net cash flows from / (used in) operations	28,272	(7,195)
Income taxes paid	(550)	–
Net cash flows from / (used in) operating activities, continuing operations	27,722	(7,195)
Net cash flows used in discontinued operating activities (Note 10)	–	(34,220)
Net cash flows from / (used in) operating activities, total	27,722	(41,415)
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	1,666	1,708
Purchase of property, plant and equipment (Note 18A)	(20,548)	(12,385)
Purchase of land use rights	–	(58)
Disposal of a subsidiary (net cash disposed of) (Note 10)	–	(492)
Interest received	283	289
Net cash flows used in investing activities, continuing operations	(18,599)	(10,938)
Net cash flows from discontinued investing activities (Note 10)	–	34,944
Net cash flows (used in) / from investing activities, total	(18,599)	24,006
Cash flows from financing activities		
Proceeds from bank borrowings	59,650	81,550
Repayment of bank borrowings	(59,650)	(67,400)
Interest paid	(3,355)	(3,532)
Net cash flows (used in) / from financing activities, continuing operations	(3,355)	10,618
Net cash flows used in discontinued financing activities (Note 10)	–	(995)
Net cash flows (used in) / from financing activities, total	(3,355)	9,623
Net increase / (decrease) in cash and cash equivalents	5,768	(7,786)
Cash and cash equivalents, statement of cash flows, beginning balance	83,250	91,036
Cash and cash equivalents, statement of cash flows, ending balance (Notes 18)	89,018	83,250

The accompanying notes form an integral part of these financial statements.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Chinese Renminbi (“RMB”) and they cover the company (the “company”) and its subsidiaries (the “group”).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The company was placed on the watch-list of the SGX-ST with effect from 5 June 2017 due to the Minimum Trading Price Entry Criteria.

The principal activities of the subsidiaries are described in Note 15 below.

The registered office is: 80 Robinson Road #02-00, Singapore 068898. The company is situated in Singapore.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore (“FRSs”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is not material. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRSs.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and its subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

1. General (continued)

Basis of presentation (continued)

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Interest is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive dividend is established.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Employee benefits (continued)

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have each participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute to a certain percentage to the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the group.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency of the company is the Singapore dollar ("S\$") as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges. The presentation currency is the Chinese Renminbi ("RMB"). For the RMB financial statements assets and liabilities are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translations of S\$ amounts into RMB amounts are included solely for the convenience of readers. The reporting year end rates used are RMB4.7880 to S\$1.00 (2017: RMB4.9308 to S\$1.00) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were RMB4.8767 to S\$1.00 (2017: RMB4.8702 to S\$1.00). Such translation should not be construed as a representation that the RMB amounts could be converted into S\$ at the above rate or other rate.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	3.3% to 5%.
Plant and equipment	–	5% to 33.3%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights – 2% to 5%

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss. For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the “substance over form” based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year, there were no financial assets classified in this category.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.
4. Available for sale financial assets: As at end of the reporting year, there were no financial assets classified in this category.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Liabilities at amortised cost: These liabilities are carried at amortised cost using the effective interest method.

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Fair value measurement (continued)

The fair value measurements categorise the inputs used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2B. Other explanatory information (continued)

Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and it represents a separate major line of business or geographical area of operations or is formed part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

When an operation is classified as a discontinued operation, the results of discontinued operations are presented separately in profit or loss. They are shown separately in profit or loss and comparative figures are restated to reclassify them from continuing to discontinued operations.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Impairment of property, plant and equipment and land use rights:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units is measured based on value in use calculations. These calculations require the use of estimates. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions as disclosed in Note 13 and Note 14 could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the property, plant and equipment and land use rights at the end of the reporting year affected by the assumption are RMB228 million (2017: RMB208 million) and RMB80 million (2017: RMB76 million) respectively.

Impairment of trade receivables:

An allowance is made for doubtful trade receivables for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations, and customer creditworthiness when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 17 on trade and other receivables.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

2. Significant accounting policies and other explanatory information (continued)

2C. Critical judgements, assumptions and estimation uncertainties (continued)

Assessment of ability to exercise control over subsidiaries:

As disclosed in Note 15 to the financial statements, the Group provisionally acquired 100% equity interest in Shandong Laizhou Ping'an Commercial Explosives Co., Ltd. and, indirectly, its subsidiaries during the reporting year. Based on the facts and circumstances set out in Note 15 to the financial statements, the management has concluded that the Group does not have control over these entities and accordingly did not include these entities in its consolidated financial statements for the reporting year ended 31 March 2018. This requires judgement because the financial results of these entities will be included in the consolidated financial statements from the date on which control commences.

Useful lives of plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is RMB86 million (2017: RMB96 million).

Deferred tax asset estimation:

Management judgement is required in determining the amount of current and deferred tax recognised as income or expense and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is more likely than not that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgmental and not susceptible to precise determination. The related amounts are disclosed in Note 9.

3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Related party transactions

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and any financial guarantees are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

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3. Related party relationships and transactions (continued)

3A. Related party transactions (continued)

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

	Group	
	2018	2017
	RMB'000	RMB'000
Sales of goods	(22,716)	(16,009)
Purchase of goods	26	93
Purchase of equipment	596	–
Purchase of leasehold properties	28,153	–
Security services	6,500	6,500
Freight charges	–	689

Other related parties refer to companies in which a director or his immediate family has significant or controlling interest over the reporting entity.

3B. Key management compensation

	Group	
	2018	2017
	RMB'000	RMB'000
Salaries and other short-term employee benefits	5,136	5,682

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	Group	
	2018	2017
	RMB'000	RMB'000
Remuneration of directors of the company	1,405	1,403
Fees to directors of the company	1,169	1,636

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel include directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

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3. Related party relationships and transactions (continued)

3C. Other receivable from and other payables to related parties

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

Group	Other related parties	
	2018	2017
	RMB'000	RMB'000
<u>Other payables:</u>		
Balance at beginning of the year	(935)	(624)
Amounts paid out and settlement of liabilities on behalf of related parties	378	471
Amounts paid in and settlement of liabilities on behalf of the company	–	(782)
Purchase of leasehold properties	(28,153)	–
Cash disbursed for purchase of leasehold properties	9,860	–
Balance at end of the year (Note 21)	<u>(18,850)</u>	<u>(935)</u>
Company	Subsidiaries	
	2018	2017
	RMB'000	RMB'000
<u>Other receivables:</u>		
Balance at beginning of the year	30	9,034
Declaration of dividends	11,000	–
Dividend received	(10,952)	(9,004)
Balance at end of the year (Note 17)	<u>78</u>	<u>30</u>

Other related parties refer to companies in which a director or his immediate family has significant or controlling interest over the reporting entity.

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4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the reporting entity.

For management purposes the reporting entity is organised into three major operating segments: (i) explosives devices, (ii) industrial fuse and initiating explosives devices and (iii) industrial detonators. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (i) The explosives devices segment is a manufacturer of boosters and seismic charges that are used to enhance the power of the explosions and for oil and gas explorations.
- (ii) The industrial fuse and initiating explosives devices segment is a manufacturer of detonating cords and non-electric tubes.
- (iii) The industrial detonators segment is a manufacturer of non-electric detonators which are used in methane-free and mine-dust-free explosion projects, detonation projects in the mining industry, the excavation of alleys and tunnels, controlled explosions and underwater demolitions.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The discontinued operation in the previous reporting year related to the disposal of ammonium nitrate segment, a manufacturer of ammonium nitrate which is a major raw material used primarily for the manufacture of explosives, as disclosed in Note 10 to the financial statements.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, amortisation, interests and income taxes (called "Recurring EBITDA") and (2) operating result before interests and income taxes and other unallocated items (called "ORBIT").

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Year ended 31 March 2018

4. Financial information by operating segments (continued)

4B. Profit or loss from continuing operations and reconciliations

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>2018</u>					
Revenue by Segment	78,971	53,242	58,917	130	191,260
Total revenue	<u>78,971</u>	<u>53,242</u>	<u>58,917</u>	<u>130</u>	<u>191,260</u>
Recurring EBITDA	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	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					(19,990)
Income tax income					162
Loss from continuing operations					<u>(19,828)</u>
<u>2017</u>					
Revenue by Segment	33,434	61,680	52,755	662	148,531
Total revenue	<u>33,434</u>	<u>61,680</u>	<u>52,755</u>	<u>662</u>	<u>148,531</u>
Recurring EBITDA	6,440	12,631	9,188	536	28,795
Depreciation	(2,521)	(5,047)	(7,780)	(2,937)	(18,285)
Amortisation	(382)	–	(233)	(2,070)	(2,685)
ORBIT	3,537	7,584	1,175	(4,471)	7,825
Interest income				289	289
Finance costs				(3,532)	(3,532)
Unallocated corporate expenses				(38,437)	(38,437)
Loss before tax					(33,855)
Income tax income					8,720
Loss from continuing operations					(25,135)
Gain from discontinued operations					26,157
Profit for the year					<u>1,022</u>

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4. Financial information by operating segments (continued)

4C. Assets and reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>2018</u>					
Total assets for reportable segments	56,934	61,347	70,861	–	189,142
Unallocated:					
Property, plant and 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, current				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
<u>2017</u>					
Total assets for reportable segments	63,210	70,788	78,705	–	212,703
Unallocated:					
Property, plant and equipment				54,560	54,560
Other assets, non-current				41,174	41,174
Deferred tax assets				17,327	17,327
Inventories				10,422	10,422
Trade and other receivables				61,135	61,135
Other assets, current				20,365	20,365
Cash and cash equivalents				83,250	83,250
Total group assets	63,210	70,788	78,705	288,233	500,936

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4. Financial information by operating segments (continued)

4D. Liabilities and reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>2018</u>					
Total liabilities for reportable 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
<u>2017</u>					
Total liabilities for reportable segments	1,286	1,186	2,597	–	5,069
Unallocated:					
Deferred tax liabilities				2,075	2,075
Trade and other payables				62,420	62,420
Other liabilities				2,549	2,549
Other financial liabilities				59,650	59,650
Total group liabilities	1,286	1,186	2,597	126,694	131,763

4E. Other material items and reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other non-cash expenses other than depreciation / amortisation:					
2018	–	–	–	257	257
2017	–	–	–	(3,013)	(3,013)
Expenditures for non-current assets:					
2018	409	–	1,080	44,756	46,245
2017	4,229	772	2,763	4,679	12,443

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4. Financial information by operating segments (continued)

4F. 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:-

	Group	
	2018 RMB'000	2017 RMB'000
Revenue		
<u>Continuing operations:</u>		
Within PRC	124,806	117,515
Outside PRC:		
Sales through export distributors	9,383	3,366
Australia	57,071	26,899
Others (*)	–	751
Subtotal	66,454	31,016
Total continuing operations	191,260	148,531
<u>Discontinued operation:</u>		
Within PRC	–	121
Total discontinued operation	–	121
Consolidated revenue	191,260	148,652
Non-current assets		
Within PRC	308,361	283,393
Singapore	76	113
	308,437	283,506

(*) Others include Kyrgyzstan, Mongolia, Indonesia

Revenues are attributed to countries on the basis of the customer's 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.

4G. Information about major customers

	Group	Segments
	RMB'000	
Top 1 customer in 2018	41,225	Explosives devices
Top 1 customer in 2017	17,835	Industrial fuse and initiating devices and Industrial detonators

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5. Revenue

	Group	
	2018	2017
	RMB'000	RMB'000
Sale of goods	191,260	148,531

6. Interest income and (finance costs)

	Group	
	2018	2017
	RMB'000	RMB'000
Interest income from banks	283	289
Loan interest	(3,355)	(3,532)
Net	(3,072)	(3,243)
Presented in profit or loss as:		
Interest income	283	289
Finance costs	(3,355)	(3,532)
	(3,072)	(3,243)

7. Other gains and (other losses)

	Group	
	2018	2017
	RMB'000	RMB'000
Allowance for impairment on trade and other receivables – loss	(1,692)	(3,808)
Allowance for impairment on trade and other receivables – reversal	330	1,700
Foreign exchange adjustment loss	(1,540)	(424)
Government grant	935	682
Inventories written-off	(58)	–
Gain/(Loss) on disposal of property, plant and equipment	1,218	(182)
Property, plant and equipment written-off	(55)	(723)
Net	(862)	(2,755)
Presented in profit or loss as:		
Other gains	2,483	2,382
Other losses	(3,345)	(5,137)
	(862)	(2,755)

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8. Employee benefits expense

	Group	
	2018	2017
	RMB'000	RMB'000
Employee benefits expense	39,374	35,429
Contributions to defined contribution plans	12,436	11,296
Total employee benefits expense	51,810	46,725

The employee benefit expense is charged as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
<u>Continuing operations:</u>		
Cost of sales	36,067	30,982
Distribution costs	3,528	3,159
Administrative expenses	12,215	11,955
Subtotal	51,810	46,096
<u>Discontinued operation (Note 10):</u>		
Distribution costs	–	94
Administrative expenses	–	535
Subtotal	–	629
Total employee benefits expense	51,810	46,725

9. Income tax

9A. Components of tax income recognised in profit or loss

	Group	
	2018	2017
	RMB'000	RMB'000
<u>Current tax:</u>		
Current tax expense	550	–
Under adjustments in respect of prior years	–	393
Subtotal	550	393
<u>Deferred tax:</u>		
Deferred tax income	(1,554)	(9,113)
Under adjustments in respect of prior years	842	–
Subtotal	(712)	(9,113)
Total income tax income	(162)	(8,720)

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9. Income tax (continued)

9A. Components of tax income recognised in profit or loss (continued)

The following table illustrates the detail of the tax charged to profit or loss on discontinued operation:

	Group	
	2018	2017
	RMB'000	RMB'000
Tax charge on discontinued operation:		
Deferred tax income	–	(10)
Total income taxes on discontinued operation	–	(10)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2017: 17.0%) to loss before tax as a result of the following differences:

	Group	
	2018	2017
	RMB'000	RMB'000
Loss before tax from continuing operations	(19,990)	(33,855)
Income tax at the above rate	(3,398)	(5,755)
Expenses not deductible for tax purposes	3,259	9,381
Income not subject to tax	–	(7,391)
Under adjustments to current tax in respect of prior years	–	393
Under adjustments to deferred tax in respect of prior years	842	–
Effect of different tax rate in foreign countries	(865)	(5,348)
Total income tax income	(162)	(8,720)

The prevailing statutory income tax rate in the People's Republic of China ("PRC") is 25%.

There are no income tax consequences of dividends to owners of the company.

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9. Income tax (continued)

9B. Deferred tax income recognised in profit or loss

	Group	
	2018	2017
	RMB'000	RMB'000
<u>Continuing operations:</u>		
Allowance for impairment of trade and other receivables	(337)	(527)
Accrual for safety expenses	(134)	(58)
Deferred tax relating to tax losses recognised	(391)	(9,228)
Deferred tax relating to unremitted profits of a subsidiary	150	700
	<u>(712)</u>	<u>(9,113)</u>
<u>Discontinued operation (Note 10):</u>		
Excess of book over tax amortisation on land use rights	–	(10)
Total deferred tax income recognised in profit or loss	<u>(712)</u>	<u>(9,123)</u>

9C. Deferred tax balance in the statement of financial position

	Group	
	2018	2017
	RMB'000	RMB'000
<u>Continuing operations:</u>		
<u>Deferred tax asset/(liabilities) recognised in profit or loss:</u>		
Allowance for impairment of trade and other receivables	5,419	5,082
Allowance for impairment of property, plant and equipments	1,344	1,344
Accrual for safety expenses	229	95
Deferred tax relating to tax losses recognised	11,197	10,806
Deferred tax relating to unremitted profits of a subsidiary	(2,225)	(2,075)
Net balance	<u>15,964</u>	<u>15,252</u>

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9. Income tax (continued)

9C. Deferred tax balance in the statement of financial position (continued)

Presented in the statement of financial position as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Deferred tax liabilities	(2,225)	(2,075)
Deferred tax assets	18,189	17,327
	15,964	15,252

For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

For the People's Republic of China, the realisation of the future income tax benefits from tax loss carryforwards is available for a period of 5 years subject to the conditions imposed by law.

For the China companies, the expiry dates of tax losses carryforwards are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
2021	2,944	6,312
2022	36,914	36,914
2023	4,934	–
	44,792	43,226

At the end of the reporting year, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Subsidiaries	5,390	6,587

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10. Disposal of a subsidiary

On 16 June 2016, the group entered into an equity purchase agreement to sell 100% of its equity interests in Hebei Yinguang Chemical Co., Ltd., the entire ammonium nitrate segment. The disposal was completed on 31 August 2016 (the "Date of Disposal"), on which date control of subsidiary passed to the acquirer.

The results of the discontinued operation for the previous reporting year have been included in the consolidated financial statements, were as follows:

	Group Year ended 31.3.2017 RMB'000
Revenue	121
Cost of sales	(110)
Interest income	184
Distribution costs	(107)
Administrative expenses	(1,937)
Finance costs	(995)
Other losses	(1,123)
Loss before tax	(3,967)
Income tax income	10
Loss from discontinued operation, net of tax	(3,957)
Gain on disposal of discontinued operation	30,114
Gain from discontinued operation, net of tax	26,157

The cash flows of the discontinued operation for the previous reporting year have been included in the consolidated financial statements, were as follows:

	Group Year ended 31.3.2017 RMB'000
Net cash flows used in operating activities	(34,220)
Net cash flows from investing activities	34,944
Net cash flows used in financing activities	(995)
Total cash flows of discontinued operation	(271)

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10. Disposal of a subsidiary (continued)

The following table is a summary of the carrying amounts of the assets and liabilities of the subsidiary that was disposed of in the previous reporting year:

	Group At date of disposal RMB'000
Property, plant and equipment	840
Other assets, non-current	10,774
Trade receivables	3,716
Other receivables	5,329
Tax recoverable	3,439
Other assets, current	5,157
Inventories	2,029
Cash and cash equivalents	492
Trade payables and accruals	(14,920)
Other payables	(2,109)
Amount owing to a related company	(33,316)
Other financial liabilities	(38,163)
Other liabilities	(5,718)
Deferred tax liabilities	(980)
Net liabilities disposed of	(63,430)
Waiver of amount owing to a related company	33,316
Gain on disposal	30,114
Total consideration	*
<u>Net cash disposed of</u>	
Cash consideration	*
Cash balance disposed of	(492)
Net cash outflow	(492)

* Consideration on disposal is RMB 1

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11. (Loss) / Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted (loss) / earnings per share of no par value:

	Group	
	2018	2017
A. Numerators: loss attributable to equity:		
Continuing operations: Loss attributable to equity holders (RMB'000)	(19,828)	(25,135)
Discontinued operation: Profit for the year (RMB'000)	–	26,157
Total basic and diluted (loss) / earnings	<u>(19,828)</u>	<u>1,022</u>
B. Denominators: weighted average number of equity shares:		
Basic and Diluted ('000)	<u>46,800</u>	<u>46,800</u>

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting year.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year.

There is no dilution of earnings per share as there are no shares under options. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

12. Items in the profit or loss

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2018	2017
	RMB'000	RMB'000
Audit fee to auditors of the company	366	389
Audit fee to other auditors	120	120
Non-audit fees paid to the auditors of the company	<u>110</u>	<u>13</u>

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13. Property, plant and equipment

Group	Leasehold properties	Plant and equipment	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost:</u>				
At 1 April 2016	128,634	241,488	47,269	417,391
Additions	–	3,488	8,897	12,385
Transfer to plant and equipment	–	8,173	(8,173)	–
Disposals	–	(13,470)	–	(13,470)
Disposal of a subsidiary (Note 10)	(6,283)	(51,292)	(27,225)	(84,800)
Assets written-off	–	(2,231)	–	(2,231)
Foreign exchange adjustments	–	26	–	26
At 31 March 2017	122,351	186,182	20,768	329,301
Additions	28,153	1,727	8,961	38,841
Disposals	–	(3,463)	–	(3,463)
Assets written-off	–	(283)	–	(283)
Foreign exchange adjustments	–	(26)	–	(26)
At 31 March 2018	150,504	184,137	29,729	364,370
<u>Accumulated depreciation and impairment:</u>				
At 1 April 2016	32,854	134,235	27,105	194,194
Depreciation for the year	4,960	13,349	–	18,309
Disposals	–	(5,697)	–	(5,697)
Disposal of a subsidiary (Note 10)	(6,283)	(50,572)	(27,105)	(83,960)
Assets written-off	–	(1,508)	–	(1,508)
Foreign exchange adjustments	–	23	–	23
At 31 March 2017	31,531	89,830	–	121,361
Depreciation for the year	6,128	11,962	–	18,090
Disposals	–	(3,015)	–	(3,015)
Assets written-off	–	(228)	–	(228)
Foreign exchange adjustments	–	(24)	–	(24)
At 31 March 2018	37,659	98,525	–	136,184
<u>Carrying value:</u>				
At 1 April 2016	95,780	107,253	20,164	223,197
At 31 March 2017	90,820	96,352	20,768	207,940
At 31 March 2018	112,845	85,612	29,729	228,186

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13. Property, plant and equipment (continued)

<u>Company</u>	Plant and equipment RMB'000
<u>Cost:</u>	
At 1 April 2016	764
Additions	114
Foreign exchange adjustments	26
At 31 March 2017	904
Foreign exchange adjustments	(26)
At 31 March 2018	878
<u>Accumulated depreciation:</u>	
At 1 April 2016	720
Depreciation for the year	48
Foreign exchange adjustments	23
At 31 March 2017	791
Depreciation for the year	35
Foreign exchange adjustments	(24)
At 31 March 2018	802
<u>Carrying value:</u>	
At 1 April 2016	44
At 31 March 2017	113
At 31 March 2018	76

- i) Certain leasehold properties of the group with carrying value of RMB54.5 million (2017: RMB58.8 million) are pledged to the bank for credit facilities (Note 22).
- ii) Construction in-progress represents warehouse and production facilities under construction.

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13. Property, plant and equipment (continued)

iii) The depreciation expense is charged as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
<u>Continuing operations:</u>		
Cost of sales	15,390	15,391
Administrative expenses	1,110	1,552
Charge against provision for safety expenses	1,590	1,342
Sub-total	18,090	18,285
<u>Discontinued operation:</u>		
Administrative expenses	–	24
Sub-total	–	24
	18,090	18,309

The recoverable amount of property, plant and equipment has been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 1%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the group's trading activities is 12.5%.

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14. Other assets

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Non-Current:</u>				
Land use rights (Note 14A)	80,251	75,566	–	–
Subtotal	80,251	75,566	–	–
<u>Current:</u>				
Deposits to secure services	64	66	64	66
Prepayments	287	77	72	77
Prepayments for land use rights	–	8,609	–	–
Advances to suppliers	7,436	9,368	–	–
Advances to staffs	1,481	2,245	–	–
Subtotal	9,268	20,365	136	143
	89,519	95,931	136	143

14A. Land use rights

	Group RMB'000
<u>Cost:</u>	
At 1 April 2016	104,498
Additions for the year	58
Disposal of a subsidiary (Note 10)	(13,361)
At 31 March 2017	91,195
Additions for the year ^(c)	7,404
At 31 March 2018	98,599
<u>Accumulated amortisation:</u>	
At 1 April 2016	15,415
Amortisation for the year	2,801
Disposal of a subsidiary (Note 10)	(2,587)
At 31 March 2017	15,629
Amortisation for the year	2,719
At 31 March 2018	18,348
<u>Net book value:</u>	
At 1 April 2016	89,083
At 31 March 2017	75,566
At 31 March 2018	80,251

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14. Other assets (continued)

14A. Land use rights (continued)

The amortisation expense is charged as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
<u>Continuing operations:</u>		
Administrative expenses	2,719	2,685
Sub-total	2,719	2,685
<u>Discontinued operation:</u>		
Administrative expenses	–	116
Sub-total	–	116
	2,719	2,801

Detail of the group's land use rights:

Address	Land Area (Sq m)	Date of Grant	Lease Expiry Date
Shanting District, North Town, Tieshan Village, East of Huangshan, Zaozhuang City ^(a)	90,464	24 December 2008	17 October 2058
Taoyuan Village, Feicheng Town, Fei County, Linyi City ^(b)	49,511	29 January 2010	16 December 2059
Tulonggou Village, Feicheng Town, Fei County, Linyi City ^(b)	40,822	23 April 2010	16 December 2059
Changsheng Village, Feicheng Town, Fei County, Linyi City ^(b)	6,023	23 March 2012	19 November 2048
Changsheng Village, Feicheng Town, Fei County, Linyi City ^(b)	23,957	23 March 2012	19 December 2030
Changsheng Village, Feicheng Town, Fei County, Linyi City ^(b)	26,358	23 March 2012	16 March 2048
Changsheng Village, Feicheng Town, Fei County, Linyi City ^(b)	41,624	23 March 2012	7 November 2048
Kele Village, Zhutian Town, Fei County, Linyi City ^(b)	30,933	23 March 2012	15 December 2030
Kele Village, Zhutian Town, Fei County, Linyi City ^(b)	13,262	23 March 2012	25 January 2055
Xixinan Village, Feicheng Town, Fei County, Linyi City	79,136	5 June 2012	25 February 2037
Tulonggou Village, Feicheng Town, Fei County, Linyi City	58,508	5 June 2012	25 February 2037
Xixinan Village, Feicheng Town, Fei County, Linyi City	74,034	5 June 2012	25 February 2037
Tulonggou Village, Feicheng Town, Fei County, Linyi City	70,220	5 June 2012	25 February 2037

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14. Other assets (continued)

14A. Land use rights (continued)

Address	Land Area (Sq m)	Date of Grant	Lease Expiry Date
Changsheng Village, Feicheng Town, Fei County, Linyi City	14,981	5 June 2012	25 February 2037
Changsheng Village, Feicheng Town, Fei County, Linyi City	10,844	15 July 2014	8 May 2064
LeHe, Zhutian Town, Fei County, Linyi City	27,306	15 July 2014	8 May 2064
Zhutian, Zhutian Town, Fei County, Linyi City	6,667	5 June 2015	29 April 2055
Beitian Jinwangshu, Hetouwan Village, Dasai Village, Mazhuang Town, Fei County ^(c)	19,966	10 October 2017	9 October 2067
Hetouwan Village, Dasai Village, Mazhuang Town, Fei County ^(c)	18,295	10 October 2017	9 October 2067

(a) The group has obtained the legal title to the land use rights for the land at Zaozhuang City in reporting year ended 31 March 2010. However, the consideration for this plot of land has yet to be finalised with the local government authorities. The cost of the land use rights, included in other payables, was estimated to be RMB17.0 million based on an independent valuation report obtained in reporting year ended 31 March 2010.

(b) These land use rights with carrying value of RMB21.0 million (2017: RMB21.5 million) were pledged for banking facilities (see Note 22).

(c) The group has obtained the legal title of these land use rights in current reporting year in which the consideration was paid in prior years.

15. Investment in subsidiaries

	Company	
	2018	2017
	RMB'000	RMB'000
Unquoted equity shares at cost	113,143	113,143
Foreign currency translation difference	(5,212)	(1,993)
	<u>107,931</u>	<u>111,150</u>
Net book value of subsidiaries	<u>368,269</u>	<u>374,506</u>
Analysis of above amount denominated in non-functional currency:		
China RMB	<u>107,931</u>	<u>111,150</u>

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15. Investment in subsidiaries (continued)

The subsidiaries held by the company are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost of the Investment		Percentage of equity held by Group	
	2018	2017	2018	2017
	RMB'000	RMB'000	%	%
Shandong Yinguang Technology Co., Ltd. ^{#a} (山东银光科技有限公司) (“YG Tech”) People’s Republic of China Production and sale of commercial explosive products	113,143	113,143	100	100
<u>Held by Shandong Yinguang Technology Co., Ltd.</u>				
Shandong Jiehua Wenlv Zhiye Co., Ltd. ^{#a, #b} (山东杰化文旅置业有限公司) People’s Republic of China Properties holding and management	10,000	–	100	–

#a For the purpose of preparing the group’s financial statements, these financial statements as at reporting year end were audited by Zhongxinghua Certified Public Accountant LLP, a member of the Chinese Institute of Certified Public Accountants and an approved firm by the China Securities Regulatory Commission. The statutory financial statements for compliance with the laws of PRC were audited by Xinlianyi Certified Public Accountants Co., Ltd, Linyi Office.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditors for its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

#b Shandong Jiehua Wenlv Zhiye Co., Ltd was incorporated during the current reporting year.

On 18 September 2017, the group provisionally acquired 100% equity interest in Shandong Laizhou Ping’an Commercial Explosives Co., Ltd. and, indirectly, its subsidiaries (the “acquisition target”) with an expected consideration of RMB40.5 million. The group’s representatives were appointed to the board of the acquisition target. Under the sale and purchase agreement dated 18 June 2018 (“SPA”) with the vendors of acquisition target, the vendors shall retain their rights and controls over the acquisition target until the acquisition process is completed in accordance with the terms and conditions of the SPA. On this basis, the management concluded that the group does not have control over the acquisition target until the acquisition process is completed. This acquisition is expected to be completed in next reporting year. No purchase consideration has been paid as at the end of the reporting year.

This acquisition is expected to give the group the opportunity to expand into new segment of businesses such as trading of commercial explosive and blasting services.

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16. Inventories

	Group	
	2018 RMB'000	2017 RMB'000
Raw materials	7,271	9,360
Work-in-progress	7,430	10,996
Finished goods	17,367	14,997
	32,068	35,353
Changes in inventories of finished goods and work in progress	1,196	(2,502)
Raw materials and consumables used	76,393	66,302

There are no inventories pledged as security for liabilities.

17. Trade and other receivables

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<u>Trade receivables:</u>				
Outside parties	72,026	71,555	–	–
Less allowance for impairment	(21,676)	(20,328)	–	–
Related party	2,824	2,057	–	–
Net trade receivables – subtotal	53,174	53,284	–	–
<u>Other receivables:</u>				
Outside parties	1,554	1,851	–	–
Refundable deposits	–	6,000	–	–
Subsidiary (Note 3)	–	–	78	30
Net other receivables – subtotal	1,554	7,851	78	30
Total trade and other receivables	54,728	61,135	78	30
<u>Movement in the above allowance – trade receivables</u>				
Balance at beginning of the year	(20,328)	(21,716)	–	–
Reversed to profit or loss included in other credits	330	1,700	–	–
Bad debts written-off	14	–	–	–
Charge to profit or loss included in other losses	(1,692)	(3,808)	–	–
Disposal of a subsidiary (Note 10)	–	3,496	–	–
Balance at end of the year	(21,676)	(20,328)	–	–
<u>Movement in the above allowance – other receivables</u>				
Balance at beginning of the year	–	(168)	–	–
Disposal of a subsidiary (Note 10)	–	168	–	–
Balance at end of the year	–	–	–	–

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17. Trade and other receivables (continued)

At the end of previous reporting year, the refundable deposit of RMB6 million was paid to a related party for an exclusive right to purchase new offices for an exclusive period of up until 30 June 2017. The consideration of the new offices were RMB32.87 million as disclosed in Note 3A. The acquisition has been completed during the reporting year.

18. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Not restricted in use	89,018	83,250	358	200

The interest earning balances are not significant.

18A. Non-cash transactions

	Group	
	2018	2017
	RMB'000	RMB'000
Costs of property, plant and equipment purchased	38,841	12,385
Amount financed through a related party (Note 21)	(18,293)	–
Cash disbursed for purchase of property, plant and equipment	20,548	12,385

18B. Reconciliation of liabilities arising from financing activities

Group	At	Non-cash changes			At end of the year
	beginning of the year	Cash flows	Acquisitions	Fair value changes	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>2018</u>					
Bank borrowings (Note 22)	59,650	–	–	–	59,650
Related party loan (Note 21)	–	–	23,010	(4,717)	18,293
	59,650	–	23,010	(4,717)	77,943
<u>2017</u>					
Bank borrowings (Note 22)	59,650	–	–	–	59,650
	59,650	–	–	–	59,650

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19. Share capital

	Group and Company		
	Number of shares issued	Share capital	Issued share capital
		S\$	RMB Equivalent
Ordinary shares of no par value:			
Balance at beginning of the year 1 April 2016 and at end of year 31 March 2017 and 31 March 2018	46,800,000	23,458,985	116,848,607

The ordinary shares of no par value carry no right to fixed income and are fully paid and with one vote per share. The company is not subject to any externally imposed capital requirements except the only externally imposed capital requirement is that for the group to maintain its listing on the Singapore Exchange Securities Trading Limited it has to have share capital of at least a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The group has significant borrowings but the borrowings are less than the cash available. The debt-to-adjusted capital ratio therefore does not provide a meaningful indicator of the risk of borrowings.

20. Other reserves

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve	44,117	44,117	–	–
Foreign currency translation reserve	835	852	(4,377)	(1,141)
Capital reserve	44,000	44,000	–	–
	88,952	88,969	(4,377)	(1,141)

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20. Other reserves (continued)

Under the PRC regulations, the subsidiary is required to set up a statutory reserve which represents a non-distributable reserve made at a rate of 10% of net profit after tax. Contribution to this reserve is no longer mandatory when the reserve reaches 50% of the registered share capital. The reserve is to be used in accordance to the circumstances as stipulated in the relevant regulations.

The foreign currency translation reserve accumulates all foreign exchange difference arising from the translation of the company's financial statements to RMB.

Capital reserve arises from the capitalisation of subsidiary's statutory reserve and retained earnings in prior years.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

21. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Non-current:</u>				
<u>Other payables:</u>				
Related party loan (Note 21A)	18,293	–	–	–
Total non-current portion	18,293	–	–	–
<u>Current:</u>				
<u>Trade payables:</u>				
Outside parties and accrued liabilities	54,196	42,355	2,262	3,320
Related parties	3,924	3,644	–	–
	58,120	45,999	2,262	3,320
<u>Other payables:</u>				
Related parties (Note 3)	557	935	–	–
Payable for land use rights (Note 14A)	17,010	17,010	–	–
Outside parties	1,968	3,545	384	424
	19,535	21,490	384	424
Total current portion	77,655	67,489	2,646	3,744
Total trade and other payables	95,948	67,489	2,646	3,744

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21. Trade and other payables (continued)

21A Related party loan

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Movement during the year, at amortised cost:</u>				
Balance at beginning of the year	–	–	–	–
Addition	23,010	–	–	–
Adjustment on date of initial recognition, at amortised cost	(4,717)	–	–	–
Balance at end of the year (Note 3)	<u>18,293</u>	<u>–</u>	<u>–</u>	<u>–</u>

The related party loan is for the acquisition of leasehold properties. The amount owing is unsecured, interest-free and repayable in 2021 and 2022. The amount is stated at amortised cost at 6.65% (2017: Nil) per annum based on estimated current lending rate (Level 3). Significant increase or (decrease) in the interest rate in isolation would result in lower or (higher) fair value measurement.

On date of initial recognition, the net difference between the cash price equivalent and the fair value of the interest free loan amounting to RMB4,717,000 was adjusted against the cost of the leasehold properties acquired and amortised over tenure of loan.

22. Other financial liabilities

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	<u>59,650</u>	<u>59,650</u>	–	–

The bank borrowings are secured on the leasehold properties and land use rights of a subsidiary with net book value of approximately RMB75.5 million (2017: RMB80.3 million) and bear the following terms:

2018:			2017:		
Loan principal (RMB'000)	Interest rate (%)	Maturity dates	Loan principal (RMB'000)	Interest rate (%)	Maturity dates
10,000	4.730	2 May 2018*	10,000	4.730	17 May 2017
20,000	4.730	1 June 2018*	20,000	4.730	1 June 2017
8,000	4.730	1 August 2018	8,000	4.730	1 August 2017
<u>21,650</u>	4.816	24 October 2018	<u>21,650</u>	4.730	18 October 2017
<u>59,650</u>			<u>59,650</u>		

* Subsequent to the end of reporting year, these loans have been fully repaid and new loans of RMB30.0 million were obtained.

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23. Other liabilities

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	3,362	1,472	–	–
Deferred revenue ^(a)	279	697	–	–
Provision for safety expenses ^(b)	916	380	–	–
	4,557	2,549	–	–

(a) The deferred revenue is related to the government grant for certain plant and equipment disclosed in Note 13.

(b) Movement in the provision for safety expenses

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Provision for safety expenses</u>				
Balance at beginning of the year	380	5,804	–	–
Provision for the year	2,656	2,440	–	–
Utilisation during the year	(2,120)	(2,209)	–	–
Disposal of a subsidiary	–	(5,655)	–	–
Balance at end of the year	916	380	–	–

Provision for safety expenses are made in accordance with the safety regulation of People's Republic of China.

24. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Commitments to purchase of property, plant and equipment	13,456	46,313

Included in the commitments at the end of previous reporting year is an estimated amount of RMB26.87 million for purchase of new offices as disclosed in Note 17 to the financial statements.

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25. Operating lease payment commitments – as lessee

At the end of the reporting year, the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Not later than one year	243	250
Later than one year and not later than five years	40	291
Rental expenses for the year	247	246

Operating lease payments are for rentals payable for office building. The lease rental terms are negotiated for an average term of two to three years and rentals are not subject to an escalation clause.

26. Financial instruments: information on financial risks

26A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<u>Financial assets:</u>				
Cash and cash equivalents	89,018	83,250	358	200
Loans and receivables	54,728	61,135	78	30
At end of the year	143,746	144,385	436	230
<u>Financial liabilities:</u>				
Other financial liabilities measured at amortised cost	59,650	59,650	–	–
Trade and other payables measured at amortised cost	95,948	67,489	2,646	3,744
At end of the year	155,598	127,139	2,646	3,744

Further quantitative disclosures are included throughout these financial statements.

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26. Financial instruments: information on financial risks (continued)

26B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. However these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. All financial risk management activities are carried out and monitored by senior management staff.
3. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

26C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

26D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a small number of counter-parties and customers unless otherwise disclose in the below notes to financial statements.

**APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

**NOTES TO
THE FINANCIAL STATEMENTS**

Year ended 31 March 2018

26. Financial instruments: information on financial risks (continued)

26D. Credit risk on financial assets (continued)

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 90 days (2017: 90 days). But some customers take a longer period to settle the amounts:

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2018	2017
	RMB'000	RMB'000
Trade receivables:		
91 - 180 days	12,417	12,754
181 days to 1 year	6,376	7,776
Over 1 year	1,473	–
Total	20,266	20,530

- (b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2018	2017
	RMB'000	RMB'000
Trade receivables:		
Over 1 year	21,676	20,328
Total	21,676	20,328

The allowance which is disclosed in the Note 17 on trade receivables were those in significant financial difficulties and have defaulted on payments are determined to be impaired at end of the reporting year. These are not secured by any collateral or credit enhancement.

Other receivables are normally with no fixed terms and therefore there is no maturity.

Concentration of trade receivable customers as at the end of reporting year:

	Group	
	2018	2017
	RMB'000	RMB'000
Top 1 customer	14,702	7,392
Top 2 customers	19,423	11,710
Top 3 customers	23,066	15,758

**APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

**NOTES TO
THE FINANCIAL STATEMENTS**

Year ended 31 March 2018

26. Financial instruments: information on financial risks (continued)

26E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 180 days (2017: 180 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The following table analyses the non-derivate financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

Group	Less than 1 year RMB'000	1 – 3 years RMB'000	Total RMB'000
<u>2018:</u>			
Gross borrowings commitments	60,584	–	60,584
Trade and other payables	77,655	23,010	100,665
At end of the year	<u>138,239</u>	<u>23,010</u>	<u>161,249</u>
<u>2017:</u>			
Gross borrowings commitments	60,576	–	60,576
Trade and other payables	67,489	–	67,489
At end of the year	<u>128,065</u>	<u>–</u>	<u>128,065</u>
			Less than 1 year RMB'000
<u>2018:</u>			
Trade and other payables			2,646
At end of the year			<u>2,646</u>
<u>2017:</u>			
Trade and other payables			3,744
At end of the year			<u>3,744</u>

The undiscounted amounts on the bank borrowings with fixed interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

26. Financial instruments: information on financial risks (continued)

26F. Interest rate risk

The interest rate risk exposure is from changes in interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rates:

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial liabilities:</u>				
Fixed rates	59,650	59,650	–	–
At end of the year	59,650	59,650	–	–

The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax loss is not significant.

26G. Foreign currency risks

Analysis of amount denominated in non-functional currency:

<u>Company</u>	<u>China RMB RMB'000</u>
<u>2018:</u>	
<u>Financial assets:</u>	
Loans and receivables	78
<u>2017:</u>	
<u>Financial assets:</u>	
Loans and receivables	30

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis: The effect on pre-tax loss is not significant.

APPENDIX D: AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

27. Changes and adoption of financial reporting standards

For the current reporting year new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS (“INT FRS”) were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative

28. New or amended standards in issue but not yet effective

Companies listed on the Singapore Exchange currently reporting under FRSs are required to comply with new Singapore Financial Reporting Standards (International) (issued by the Singapore Accounting Standards Council) that would be equivalent to the International Financial Reporting Standards (“IFRS”) (issued by the International Accounting Standards Board (“IASB”)) for reporting years beginning on or after 1 January 2018. The new framework is referred to as SFRS(I)s. Non-listed companies may elect to voluntarily apply SFRS(I)s. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be adopted in the financial statements when it becomes mandatory. Based on the current accounting treatment of the account balances management does not anticipate that the application of SFRS(I) 1 will have a material impact on the financial position and / or financial performance of the group. However, as the group is still in the process of assessing the full impact of the application of SFRS(I) 1 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the detailed review is completed.

For the future reporting years new or revised SFRS(I)s and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 Jan 2018
SFRS(I) 9	Financial Instruments	1 Jan 2018
SFRS(I) 15	Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 15	Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 9	Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 Jan 2019
SFRS(I) 16	Leases and Leases - Illustrative Examples & Amendments to Guidance on Other Standards	1 Jan 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019
Various	Annual Improvements to SFRS(I)s 2015-2017 Cycle - Amendments to SFRS(I) 1-12: Income taxes	1 Jan 2019

The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the entity’s financial statements in the period of initial application.

APPENDIX E: VALUATION SUMMARY

AVA Associates Limited

806 Empress Plaza
17-19 Chatham Road South
Tsim Sha Tsui, Hong Kong

11 April 2019

To
Board of Directors
Fabchem China Limited
2 Bukit Merah Central
#12-03
Singapore 159835

Dear Sirs,

Pursuant to your instructions, AVA Associates Limited (“AVA”) has performed a valuation of fixed assets belonging to Fabchem China Limited and its subsidiaries (“Fabchem” or the “Company”) as at 28 February 2019 (“Valuation Date”). The purpose of this engagement is to assist the Board of Directors of the Company (the “Board”) in their assessment of the values of the assets, and inclusion in a circular to the shareholders on the proposed general offer for the Company. No other use of our valuation report is intended or should be inferred.

Definition of Value

In estimating the value of the assets, our efforts were based on the following premise of value:

Market Value – *“The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”* Such value represents an estimate based on the economic theory of equilibrium price for an asset in a perfect market.

Scope of Work

In relation to a proposed general offer for the shares of Fabchem, AVA has been mandated by the Board to conduct an exercise to estimate the market value of fixed assets belonging to its wholly-owned subsidiaries, Shandong Yinguang Technology Co., Ltd. (山东银光科技有限公司) (“Yinguang Technology”) and Shandong Jiehua Wenlv Zhiye Co., Ltd (山东杰化文旅置业有限公司) (“Jiehua Wenlv Zhiye”), as detailed to us in fixed asset registers presented (the “Fixed Assets”).

The Fixed Assets are made up of the following items:

- Land, building, structures, construction-in-progress and land use rights at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, the People’s Republic of China (the “PRC”) (the “Industrial Properties”) belonging to Yinguang Technology;

APPENDIX E: VALUATION SUMMARY

- Machinery and equipment located at Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, the PRC (the “Machinery & Equipment”) belonging to Yinguang Technology; and
- 13/F, 14/F, 15/F of commercial office space and 39 parking stalls of Fuyuan Plaza, Fei County, Linyi City, Shandong Province, the PRC (the “Commercial Properties”) belonging to Jiehua Wenlv Zhiye.

Our work consisted of determining the Market Value of the Fixed Assets belonging to Yinguang Technology and Jiehua Wenlv Zhiye.

Our valuation and report are prepared in accordance with the International Valuation Standards (2017 edition) as published by the International Valuation Standard Committee and relevant standards adopted by the Royal Institution of Chartered Surveyors. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Preparation of an information checklist for information gathering;
- Site visit, including inspection of the assets belonging to Yinguang Technology and Jiehua Wenlv Zhiye;
- Discussion with the appropriate parties regarding the identified assets, adopted/proposed valuation methodologies, current/proposed operations and historical/forecast financials of the Company, as well as its prospects, etc;
- Development of appropriate valuation models pertinent to the exercise;
- Preparation of draft reports for discussion with the Company; and
- Submission of the final report for the purpose of this exercise.

Sources of Information

As part of our due diligence, we relied upon documents supplied by Yinguang Technology, including, but not limited to, the following:

- State-owned Land Use Rights Certificates, approvals of development 国有土地使用权证，建设用地规划许可证，建设工程规划许可证，建筑工程施工许可证；
- Certificate of completion and delivery of construction 建设工程竣工规划验收合格证；
- Pre- sell License for Commodity House 商品房预售许可证；
- Sale and purchase agreement, dated 24 May 2017, for the property known as 5/F Fuyuan Plaza, Fei County, Linyi City, Shandong Province, PRC;
- Real estate agents’ information on prices of office buildings in Fei County and Grade A office buildings in downtown of Linyi City, Shandong Province, PRC; and
- Other relevant documentations on the Fixed Assets.

We planned and performed our review and valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. In the course of our work, we held discussions with the management concerning the history and current conditions of Profitstart Group, financial and general outlook of the business. We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us are true and accurate. We also used financial and other information obtained from private and public sources we considered reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. We believe the review and valuation procedures we employed provide a reasonable basis for our opinion.

APPENDIX E: VALUATION SUMMARY

Valuation Theory

Our approach in valuing the identified asset relies on using the appropriate techniques to arrive at our conclusion of value. We considered the three generally recognized approaches to value: the income, market and cost approaches.

An overview of the three approaches considered is as follows:

- The *Income Approach* focuses on the income-producing capability of a business or asset. The income approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.
- The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. In estimating the value of a business under the market approach there are two methodologies: the publicly-traded guideline company methodology and the recent transaction methodology. The publicly traded guideline company methodology develops an indication of value for the subject company by calculating market pricing multiples for selected publicly-traded guideline companies and applying these multiples to the appropriate financial measures of the subject company. The recent transaction methodology develops an indication of value for the subject company by calculating market pricing multiples based on actual acquisitions of similar businesses and applying these multiples to the appropriate financial measures of the subject company. After deriving a value, adjustments are then made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.
- The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The cost approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Selected Valuation Approach

Real Property

Yinguang Technology owns the Industrial Properties while Jiehua Wenlv Zhiye owns the Commercial Properties.

For the Industrial Properties, we have relied on the income and market approaches to arrive at the value conclusion for each of the properties. The Direct Comparison Approach was adopted for the valuation of the subject site; and Cost Approach for the improvements (including buildings and structures).

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

APPENDIX E: VALUATION SUMMARY

Direct Comparison Approach is universally considered the most accepted valuation approach for valuing most forms of real estate. This involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analyzed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as location within the city, size, configuration, access, and so on.

For the Commercial Properties, using the Direct Comparison Approach, sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, land area, land shape, land tenure, floor area, condition of building, market conditions, age of the property, waterfront shoreline, improvements done, etc.

Machinery & Equipment

The valuation of these assets, located in the Industrial Properties, relied on both the market and cost approaches. However, due to limited information of second hand market for these assets, we have mainly relied on cost approach.

The cost approach establishes value based on the cost of reproducing or replacing the equipment, less depreciation from physical deterioration, and functional and economic/external obsolescence.

Cost of Reproduction New is defined as the estimated amount required to reproduce the equipment at one time in like kind and materials in accordance with current market prices for materials, labor, and manufactured equipment, contractors' overhead and profit, and fees, but without provision for overtime, bonuses for labor, or premiums for materials or equipment.

Physical Deterioration is the loss in value resulting from wear and tear in operation and exposure to the elements.

Functional Obsolescence is the loss in value caused by conditions within the equipment such as changes in design, materials, or process that result in inadequacy, overcapacity, lack of utility, or excess operating costs.

Economic/External Obsolescence is an incurable loss in value caused by unfavorable conditions external to the equipment such as the local economy, economics of the industry, availability of financing, encroachment of objectionable enterprises, loss of material and labor sources, lack of efficient transportation, shifting of business centers, passage of new legislation, and changes in ordinances.

Valuation of the Real Property

Description of Real Property – Industrial Properties

The subject properties are the manufacturing facilities of Yinguang Technology located Feizhu Road, Feicheng, Fei County, Linyi City, Shandong Province, the PRC.

APPENDIX E: VALUATION SUMMARY

Land Description: The subject plot is rectangular in shape with an area of approximately 605,780 square metres ("sq m"). Details of the land use rights are presented in Exhibit 1.

It is divided by brick walls/chain fences and can be accessed after inspection by relevant personnel of the company.

Buildings & Structures: 134 buildings (103 of which are property certificates), 127 structures & pipeline trenches, 11 projects under construction
Office/Industry/Warehouse/Other

127 structures & pipeline trenches
Office/Industry/Warehouse/Other

11 projects under construction
Office/Industry/Warehouse/Other

Description of Real Property – Commercial Properties

The subject of valuation are the commercial office space on the 13/F, 14/F, 15/F and 39 parking stalls of Fuyuan Plaza, Fei County, Linyi City, Shandong Province, the PRC 山东省临沂市费县城区银光福源广场A座 13层、14层、15层及地下1层39个车位. Photos and location plan are presented in Exhibit 2.

Address: Fuyuan Plaza, Fei County, Linyi City, Shandong Province, the PRC.

Type: A 18-storey office building with 1-Storey basement carpark.

Legal Description: Pre-sell License for Commodity House: Fei Fang Shou Zi 商品房预售许可证 No. 000301.

Tenure: The use rights of the property have been granted for a term expiring on 5 June 2052.

Land Description: The subject plot is rectangular in shape with an area of approximately 26,557 sq m.

Gross Floor Area: 41,670.86 sq m

No. of Parking Stalls: 143

Occupancy Status: Office

Date of Completion: 31 December 2015

Neighbourhood: The immediate neighbourhood is predominantly high-end residences, supermarket and campus.

City Services: Available within the vicinity.

APPENDIX E: VALUATION SUMMARY

<i>Public Transport:</i>	Available along Jianshe Road and G327. The subject property is within close proximity from the Fei County Railway Station, which will be in service at end of 2019.
<i>Overall Comment:</i>	At the heart of the future centre business district of Fei County.
<i>Office:</i>	13th Storey Lift lobby / partitioned office room / storage areas / toilets 14th Storey Lift lobby / partitioned office room / storage areas / toilets 15th Storey Lift lobby / partitioned office room / storage areas / toilets Basement Storey Car parking lots
<i>Gross Floor Area:</i>	3,499.83 sq m (excluding car parking lots)
<i>Finishes:</i>	Floors - Homogeneous tiles / cement screed Walls - Emulsion paint / homogeneous tiles / partitioned boards / glass panels / decorative timber panels Ceilings - Emulsion paint
<i>Other Improvements:</i>	3 passenger lifts, etc.
<i>Services / Facilities:</i>	All main public utilities and telecommunication services are connected.
<i>Overall Comment:</i>	As at the date of inspection, the subject property was in a good state of internal and external repairs and maintenance.

General Assumptions

No allowance has been made in our report for any charges, mortgages or amounts neither owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

As the property is held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term of the land use rights.

We have assumed the design and construction of the subject development are in compliance with the local planning regulations and have been approved by the relevant authorities.

Inspections

Our valuer, Ms. Ivy Liu, visited the premises for this exercise.

APPENDIX E: VALUATION SUMMARY

For this exercise, we did not conduct site surveys or site investigations, as these do not form part of our terms of reference and therefore we cannot report that the subject property is free from rot, infestation or any other structural defects. We did not carry out a building or land survey, and we assume that the subject property is in a fair state of repair and condition. No tests have been carried out to any of the building services.

Sources of Information

We have relied to a considerable extent on the information provided by the instructing party and site staff in particular, but not limited to, tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas, identification of the property and all other relevant matters.

We have been provided with copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and floor plans relating to the subject properties by the instructing party, and have made relevant enquiries. However, we have not searched the original documents nor have we verified the existence of any lease amendments, which do not appear on the documents available to us. All documents have been used for reference only.

For the purposes of this engagement, we did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the appraised assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the assets, plus the value of any assets not included in the appraisal, and adequate net working capital.

Valuation Methodologies

In arriving at our opinion of the Market Value of the subject facilities, the buildings, structures and construction in progress are valued on the basis of its "Depreciated Replacement Cost".

We have adopted the Direct Comparison Approach for the valuation of the land and Commercial Properties.

'Depreciated Replacement Cost'

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

'Direct Comparison Approach'

The Direct Comparison Approach is universally considered the most accepted valuation approach for valuing most forms of real estate. This involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. Each comparable is analyzed on the basis of its unit rate; each attribute of the comparable is then compared with the subject and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as location within the city, size, configuration, access, and so on.

Valuation Conclusion – Real Property

Subject to the assumptions and limiting conditions of this report, we are of the opinion that the Market Value of the Real Property, comprising of the Industrial Properties and Commercial Properties, in its existing state as of Valuation Date and assuming that it is free from any encumbrances is circa **RMB323,155,000** with breakdown as follows:

APPENDIX E: VALUATION SUMMARY

Item	Unaudited Book Value (RMB '000)	Market Value (RMB'000)
Industrial Properties		
- Buildings	83,857	102,498
- Structures	44,812	42,373
- Construction-in-progress	39,333	40,904
- Land use rights	62,609	103,030
Commercial Properties		
- 13/F, 14/F and 15/F of commercial office space and 39 parking stalls	27,335	34,350
Total – Real Property	257,946	323,155

Valuation of the Machinery and Equipment

Description – Machinery & Equipment

The Machinery & Equipment considered in this valuation included those assets shown on equipment list supplied to AVA at the beginning of the valuation project and through other information provided during the engagement. They are broadly classified into the following groups:

- Production Machinery & Equipment (Line 1 一分厂, Line 2 二分厂 and Line 3 三分厂)
- Motor Vehicles
- Office Equipment
- Software
- Office Furniture
- Biological Assets (Landscaping Works)

The Machinery & Equipment are employed in the business of manufacturing (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes and (c) industrial detonators such as piston non-electric detonators for sale in the PRC and also export markets.

Excluded from the investigation were supplies, materials on hand, inventories, company records, and any current or intangible assets that might exist.

As agreed, this valuation assumes that each of the assets, unless identified otherwise in this report, will continue to be used 'as is' and as part of an ongoing business. Therefore, the assets have been valued under an in-use premise, which recognizes the additional value related to the freight, tax, and installation (including engineering and installation) costs that were incurred when the assets were placed into service.

Methodology

We have considered and excluded the income approach due to difficulty in determining income that can be directly related to specific equipment.

In arriving at our opinion of value, we have given consideration to the cost of similar used equipment in the second hand market, current cost new, accrued depreciation, extent, character, utility, lack of improved features of new equipment and continuation of use of the assets in their present location.

APPENDIX E: VALUATION SUMMARY

In estimating the Market Value under the premise of continued use, we assumed it to be offered in the open market and considered the following factors:

- The extent, character and utility of the assets
- The estimated cost to acquire new or construct, or acquire used if comparable property was available, plus the cost to erect or install as an integrated entity
- From current cost new, a deduction for depreciation, or loss of value, arising from condition, utility, age, wear and tear, obsolescence and lack of improved features of new equipment currently in the market
- For the cost of comparable used property, a positive or negative adjustment to the market price to reflect the difference in condition and utility between the item under appraisal and its comparable
- Dealers' prices for machinery and equipment in operative condition, plus allowances for freight and installation

The term "current cost new" as used herein is defined as the amount required to reproduce or replace in like kind and new condition an asset, or group of assets, taking into account current costs of materials and labour and including all attendant costs associated with its acquisition.

For the purposes of this engagement, we did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the appraised assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the assets, plus the value of any assets not included in the appraisal, and adequate net working capital.

Description

Line 1 一分厂:	The Production Machinery & Equipment for Line 1 一分厂 is used in the production of detonating cords. The assets have normal service lives but are currently underutilized given the lower demand from Yinguang Technology's customers. The lower demand is a direct result of additional safety measures implemented by the local authorities in the PRC that have restricted the use of detonating cords for mining activities.
Line 2 二分厂:	The Production Machinery & Equipment for 2 二分厂 is used in the production of boosters. The assets have normal service lives and are well maintained.
Line 3 三分厂:	The Production Machinery & Equipment for Line 3 三分厂 is used in the production of non-electric tubes and piston non-electric detonators. The assets have normal service lives and are well maintained. However, we understand that there are impending regulations that may render the current production line obsolete by 2022 as the government of the PRC is preparing to allow the sale and use of digital detonators only.

Observation and Findings

We conducted an inspection of the Machinery & Equipment on 12 March 2019.

In relation to the Production Machinery & Equipment for Line 3 三分厂, new industry directives by the government of the PRC, as reported by the Company in their announcements, if and when fully implemented, is expected to have a significant impact on the value of the assets employed in this

APPENDIX E: VALUATION SUMMARY

category due to economic obsolescence. We have adjusted the value of these assets, as at Valuation Date, to reflect the impending risk.

Exclusions

Our valuation is based on a desktop analysis and we did not carry out a full mechanical survey, nor inspected machinery and equipment which are covered, unexposed or inaccessible. Our assessment is based on the premise that the items are in a condition commensurate with age and usage.

We have relied to a considerable extent on information such as machinery and equipment list, and when available to us, equipment specifications, drawings, contract invoices and other documents furnished to us by the Company.

We have not investigated the title or any liabilities affecting the machinery and equipment appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.

We hereby certify that we have neither present nor prospective interest in the assets appraised or on the value reported.

Valuation Conclusion – Machinery & Equipment

Based on the information provided and the analysis conducted, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the Market Value of the Machinery & Equipment is **RMB25,459,000** with breakdown as follows:

Item	Unaudited Book Value (RMB '000)	Market Value (RMB '000)
Production Machinery & Equipment	20,732	20,033
Motor Vehicles	2,338	2,759
Office Equipment	816	693
Software	619	649
Office Furniture	337	354
Biological Assets	984	971
Total Machinery & Equipment	25,826	25,459

This report and the observations and analyses are intended solely for use by the Company and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Company.

APPENDIX E: VALUATION SUMMARY

Conclusion of Value

Based on the information provided and the analysis conducted, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the Market Value of the Fixed Assets belonging to Fabchem is reasonably represented as follows.

Item	Market Value (RMB '000)
Industrial Properties	288,805
Commercial Properties	34,350
Machinery & Equipment	25,459
Total Fixed Assets	348,614

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuations of prudent management of over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

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Respectfully submitted,

AVA Associates Limited

AVA Associates Limited, based in Hong Kong and Singapore, has been providing independent valuation services to clients in Asia since 2008. We provide transaction-based advisory services, primarily focusing on independent valuation services to assist its clients to comply with internal and external requirements. Our valuation team, made up of qualified professionals in their respective fields, has the expertise covering various classifications of tangible and intangible assets, focusing on four key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation.

Statement of General Assumption and Limiting Conditions

This analysis is subject to the following general assumptions and limiting conditions:

Valuation - General

1. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements, encroachments, and other encumbrances unless otherwise stated.
2. Information furnished by others, upon which all or portions of this valuation is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.
3. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of AVA or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Company and its financial accounting firm, by any means without the prior written consent and approval of AVA.
4. This appraisal has been made in conformance with the International Valuation Standards issued by the International Valuation Standards Council.
5. Neither AVA nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.
6. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.
7. The date of value to which the estimate expressed in this report applies is set forth in the beginning of this report. This valuation is valid only for the valuation date indicated. Our analysis is based on the purchasing power of the Singapore Dollar as of that date.
8. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government, or private entity or organization have been or can readily be obtained or renewed for any use on which the value estimate provided in this report is based.
9. Full compliance with all applicable federal, state, and local zoning and use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
10. Responsible ownership and competent management are assumed.
11. The value estimate is predicated on the financial structure prevailing as of the date of this analysis.
12. This report may not be included or referred to in any statutory filing or other public document.

APPENDIX E: VALUATION SUMMARY

13. This is a Summary Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the valuation professional's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the valuation professional's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The valuation professional is not responsible for unauthorized use of this report.

Valuation - Property

1. This valuation is prepared in accordance with the Valuation Standards and Guidelines published by the Singapore Institute of Surveyors and Valuers.
2. Our responsibility in connection with this valuation report is limited to our client or person to whom this report is addressed and to that client only. We disclaim all responsibility and accept no liability to any other person(s) or party should this report be used by any such person(s) or party or for any.
3. Any action, claim or proceedings arising out of the engagement of services shall be brought against the Firm with whom the Client has engaged and not against any employee, director or sub-contractor of the Firm involved directly or indirectly in the delivery of the Services.
4. Any liability arising from the Valuer's negligence (if any) in connection with this engagement shall be limited to the amount of fees received for this engagement.
5. The report is considered invalid if there is non-payment of the valuation fees. We shall not be responsible and accept no liability of the report if payment is not received within 30 days from the date of report.
6. Each valuation is current as at the Valuation Date only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. We also do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the Valuation Date.
7. The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of the valuation stated in the report and may not be used for any other purpose.
8. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we accept no responsibility if this information should later prove not to be so.
9. We may adopt assumptions in the valuation being carried out as some matters cannot be calculated accurately or fall outside the scope of our expertise. The risk that any of the assumptions adopted in our valuation may be incorrect should be taken into account. While all reasonable care is taken, we does not warrant or represent that the assumptions on which this valuation is based are accurate or correct.
10. Neither the whole nor any part of this report nor any reference to it may be included in any document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.
11. While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation of other hidden defects. We have also not made any tests to the building services (e.g. air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc.) and these services are presumed to be in good working order.

APPENDIX E: VALUATION SUMMARY

12. Our valuation assumes that the title(s) is(are) in good order and marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s).
13. We have not conducted a land survey to verify the land boundaries and site areas and whether all developments and improvements are within such boundaries. We have assumed, unless otherwise stated, that all developments and improvements are within the boundaries of such land parcel as described in this report and the land parcel is fully owned by the property owner.
14. Any plans or map included in this report are meant for identification purposes and to assist the reader in visualizing the subject property. We have not made any survey of the property and assume no responsibility in connection with such matters.
15. Unless otherwise instructed, we do not carry out requisition with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements, drainage proposal, etc.
16. Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.
17. Our valuation is prepared on the basis that the premises and any works (e.g. alterations and additions) thereto comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a statutory completion by the Building Authority.
18. Our valuation assumes that all development charges and maintenance/service/conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.
19. Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property(ies).
20. In the event that we are instructed to provide a valuation based on kerb-side inspection and/or without the extent of information normally available, our valuation will be dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should the information prove to be incorrect or inadequate, the accuracy of the valuation may be affected and we shall not be held responsible for the inaccuracy of the valuation.
21. We shall not be required to give testimony or to appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.