



## Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2010 (“FY2010”)

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

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

	Group		Increase/ (Decrease) %
	FY2010 RMB'000	FY2009 RMB'000	
<b>Revenue</b>	322,723	210,895	53.0
Cost of sales	(208,853)	(130,820)	59.6
<b>Gross profit</b>	113,870	80,075	42.2
<b><u>Other Items of Income</u></b>			
Interest income	228	277	(17.7)
Other credits – Note (i)	618	1,676	(63.1)
<b><u>Other Items of Expense</u></b>			
Distribution costs	(17,666)	(12,047)	46.6
Administrative expenses	(30,712)	(23,808)	29.0
Finance costs	(2,363)	(530)	345.8
Other charges– Note (ii)	(5,605)	(3,549)	57.9
<b>Profit before income tax</b>	58,370	42,094	38.7
Income tax expense	(11,157)	(7,158)	55.9
<b>Profit attributable to shareholders</b>	47,213	34,936	35.1
<b>Note (i) – Other Credits</b>			
Foreign exchange adjustment gain	-	1,126	N.M.
Government grant	604	550	9.8
Allowance for impairment on trade receivables reversal	14	-	N.M.
	618	1,676	(63.1)
<b>Note (ii) – Other Charges</b>			
Foreign exchange adjustment loss	(751)	-	N.M.
Goodwill written-off	(31)	-	N.M.
Loss on disposal of property, plant and equipment	(122)	(18)	577.8
Allowance for impairment on trade and other receivables - loss	(4,701)	(3,531)	33.1
	(5,605)	(3,549)	57.9

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

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

Amortisation expenses	(2,084)	(90)	2215.6
Depreciation expenses	(13,466)	(3,157)	326.5
Foreign exchange adjustment (loss)/gain	(751)	1,126	(166.7)
Interest expense	(2,363)	(530)	345.8
Interest income from bank deposits	228	277	(17.7)
Loss on disposal of property, plant and equipment	(122)	(18)	577.8
Allowance for impairment on trade and other receivables - loss	(4,701)	(3,531)	33.1
Allowance for impairment on trade receivables reversal	14	-	N.M.
Goodwill written-off	(31)	-	N.M.

**Statement of Comprehensive Income**

	<b>Group</b>		<b>Increase/ (Decrease) %</b>
	<b>FY2010 RMB'000</b>	<b>FY2009 RMB'000</b>	
<b>Profit attributable to shareholders</b>	47,213	34,936	35.1
Foreign currency translation difference	826	(949)	(187.0)
<b>Total comprehensive income for the period</b>	<u>48,039</u>	<u>33,987</u>	41.3

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

	Group		Company	
	31 March 2010 RMB'000	31 March 2009 RMB'000	31 March 2010 RMB'000	31 March 2009 RMB'000
<b>ASSETS</b>				
<b>Non-current assets :</b>				
Property, plant and equipment	185,840	138,462	343	376
Goodwill on consolidation	-	20,001	-	-
Licences	4,148			
Customer relationships	3,255			
Land use rights	54,261	45,026	-	-
Investment in subsidiary	-	-	110,185	101,176
Deferred tax assets	3,627	-	-	-
<b>Total non-current assets</b>	<b>251,131</b>	<b>203,489</b>	<b>110,528</b>	<b>101,552</b>
<b>Current assets :</b>				
Inventories	47,763	47,001	-	-
Trade and other receivables (Note 1)	99,124	119,074	26,323	14,689
Other assets	27,653	27,500	101	97
Cash and cash equivalents	107,255	112,621	285	256
<b>Total current assets</b>	<b>281,795</b>	<b>306,196</b>	<b>26,709</b>	<b>15,042</b>
<b>Total assets</b>	<b>532,926</b>	<b>509,685</b>	<b>137,237</b>	<b>116,594</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves :</b>				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	205,844	163,859	18,139	8,494
Other reserves	33,811	27,757	(2,506)	(12,342)
<b>Total equity</b>	<b>356,504</b>	<b>308,465</b>	<b>132,482</b>	<b>113,001</b>
<b>Non-Current liabilities :</b>				
Deferred tax liabilities	5,910	-	-	-
Other financial liabilities	171	226	171	226
<b>Total non-current liabilities</b>	<b>6,081</b>	<b>226</b>	<b>171</b>	<b>226</b>
<b>Current liabilities :</b>				
Income tax payable	7	5,240	-	-
Trade and other payables (Note 2)	123,257	144,057	4,509	3,301
Loans from financial institutions	21,000	23,000	-	-
Loan from third party	22,606	26,622	-	-
Other financial liabilities	75	66	75	66
Other liabilities	3,396	2,009	-	-
<b>Total current liabilities</b>	<b>170,341</b>	<b>200,994</b>	<b>4,584</b>	<b>3,367</b>
<b>Total liabilities</b>	<b>176,422</b>	<b>201,220</b>	<b>4,755</b>	<b>3,593</b>
<b>Total liabilities and equity</b>	<b>532,926</b>	<b>509,685</b>	<b>137,237</b>	<b>116,594</b>
<b>Note 1</b>				
Trade receivables	98,040	117,482	-	-
Amount receivable from subsidiary	-	-	26,323	14,688
Other receivables	1,084	1,592	-	1
<b>Total trade and other receivables</b>	<b>99,124</b>	<b>119,074</b>	<b>26,323</b>	<b>14,689</b>
<b>Note 2</b>				
Trade payables and accruals	62,101	78,894	4,412	3,090
Other payables	61,156	65,163	97	211
<b>Total trade and other payables</b>	<b>123,257</b>	<b>144,057</b>	<b>4,509</b>	<b>3,301</b>

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

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

**(RMB'000)**

<b>31 March 2010</b>		<b>31 March 2009</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
3,075	40,606	8,066	41,622

**Amount repayable after one year**

**(RMB'000)**

<b>31 March 2010</b>		<b>31 March 2009</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
171	-	226	-

**Details of any collateral**

As at 31 March 2010, the Group has secured borrowings comprising a 7 years finance lease of approximately RMB 246,000 for the purchase of a motor vehicle and aggregate secured short-term loan from financial institution of RMB 3.0 million. Unsecured borrowings relates to a loan from a third party of RMB 22.6 million and aggregate short-term loans from financial institutions of RMB 18.0 million.

The finance lease is secured against the motor vehicle with net book value of approximately RMB 335,000, and bears effective interest rate of 6.61% per annum.

Secured short-term bank loans are secured using Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang")'s land and buildings with net book value of approximately RMB 11.2 million. The secured short-term loan from financial institution has interest rate of 6.1065% per annum.

Unsecured borrowing of RMB 22.6 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd. Portion of this loan has interest rate of 12% per annum. Unsecured short-term loans from financial institutions of RMB 18.0 million are guaranteed by corporate guarantee of Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang, and guarantee by Ministry of Finance of Linxi County. These loans have interest rates ranging between 6.93% and 12.65% per annum.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	FY2010 RMB'000	FY2009 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	58,370	42,094
Adjustments for :		
Amortisation expenses	2,084	90
Depreciation expense	13,466	3,157
Goodwill written-off	31	-
Interest expenses	2,363	530
Interest income	(228)	(277)
Loss on disposal of property, plant and equipment	122	18
Allowance for impairment on trade and other receivables - loss	4,701	3,531
Net effect of exchange rate changes in translation of financial statements of parent	794	(896)
Operating cash flows before changes in working capital	81,703	48,247
Inventories	(762)	(19,360)
Trade and other receivables	15,509	32,511
Other assets	(153)	(9,116)
Trade and other payables	(20,042)	2,645
Other liabilities	1,387	153
Net cash flows from operations before interest and tax	77,642	55,080
Income tax paid	(21,024)	(8,346)
<b>Net cash from operating activities</b>	<b>56,618</b>	<b>46,734</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary (net of cash acquired)	-	28,128
Payment for land use rights	(4,244)	(2,602)
Proceeds from disposal of property, plant and equipment	586	47
Purchase of property, plant and equipment	(50,129)	(69,707)
Interest received	228	277
<b>Net cash used in investing activities</b>	<b>(53,559)</b>	<b>(43,857)</b>
<b>Cash flows from financing activities</b>		
Repayment of finance lease obligation	(46)	(109)
Repayment of loan from third party	(4,016)	(545)
(Decrease)/Increase in loans from financial institutions	(2,000)	2,000
Interest paid	(2,363)	(530)
<b>Net cash (used in) from financing activities</b>	<b>(8,425)</b>	<b>816</b>
Net (decrease) / increase in cash	(5,366)	3,693
Cash at beginning of the year	112,621	108,928
<b>Cash at end of the year</b>	<b>107,255</b>	<b>112,621</b>

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

	Issued capital	Statutory reserves	Foreign currency translation reserves	Retained earnings	Total
<b>Group (RMB'000)</b>					
Balance at 1 April 2009	116,849	28,132	(375)	163,859	308,465
Appropriation for the year	-	5,228	-	(5,228)	-
Total comprehensive income for the year	-	-	826	47,213	48,039
Balance at 31 March 2010	116,849	33,360	451	205,844	356,504
Balance at 1 April 2008	116,849	23,526	574	133,529	274,478
Appropriation for the year	-	4,606	-	(4,606)	-
Total comprehensive income for the year	-	-	(949)	34,936	33,987
Balance at 31 March 2009	116,849	28,132	(375)	163,859	308,465

	Issued capital	Foreign currency translation reserves	Retained earnings	Total
<b>Company (RMB'000)</b>				
Balance at 1 April 2009	116,849	(12,342)	8,494	113,001
Total comprehensive income for the year	-	9,836	9,645	19,481
Balance at 31 March 2010	116,849	(2,506)	18,139	132,482
Balance at 1 April 2008	116,849	2,114	(4,000)	114,963
Total comprehensive loss for the year	-	(14,456)	12,494	(1,962)
Balance at 31 March 2009	116,849	(12,342)	8,494	113,001

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

Not Applicable.

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

	Group	
	31 March 2010	31 March 2009
Total number of issued shares	234,000,000	234,000,000

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There is no sale, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

The figures have not been audited nor reviewed by the auditors.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements, except as disclosed in paragraph 5 below.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

With effect from 1 April 2009, the Group adopted the amended FRS 1 (2008) Presentation of Financial Statements.

Except as disclosed above, there are no other material changes in the accounting policies and methods of computation.

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

Earnings per ordinary share for the year based on net profit attributable to shareholders :

Based on weighted average number of ordinary shares in issue

Weighted average number of ordinary shares in issue for basic earnings per share

<b>Group</b>	
<b>FY2010</b>	<b>FY2009</b>
<b>RMB cents</b>	<b>RMB cents</b>
20.18	14.93
234,000,000	234,000,000

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>
Net asset value per ordinary share based on the issued shares at the end of the financial year	152.35	131.82	56.62	48.29
Number of issued shares use in calculating net asset value	234,000,000	234,000,000	234,000,000	234,000,000

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

### Revenue

Our products can be categorised mainly into (a) explosive devices such as boosters, seismic charges and tube charges; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators; and (d) ammonium nitrate. The breakdown of our revenue by the above product types and geographical segments during the financial year ended 31 March 2009 ("FY2009") and financial year ended 31 March 2010 ("FY2010") are as follows:

	<b>Group</b>				<b>% change</b>
	<b>FY2010</b>		<b>FY2009</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
Explosive devices	83,756	25.9	69,274	32.8	20.9
Industrial fuse and initiating explosive devices	97,259	30.1	71,510	33.9	36.0
Industrial detonators	65,437	20.2	49,934	23.7	31.0
Ammonium Nitrate	75,321	23.3	18,895	9.0	298.6
Others <sup>(1)</sup>	950	0.5	1,282	0.6	(25.9)
	<b>322,723</b>	<b>100.0</b>	<b>210,895</b>	<b>100.0</b>	<b>53.0</b>

  

	<b>Group</b>				<b>% change</b>
	<b>FY2010</b>		<b>FY2009</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
Within PRC	274,699	85.2	163,188	77.4	68.3
<u>Outside PRC</u>					
Sales through export distributors <sup>(2)</sup>	3,290	1.0	14,034	6.6	(76.6)
Australia	35,556	11.0	26,083	12.4	36.3
Others	9,178	2.8	7,590	3.6	20.9
	48,024	14.8	47,707	22.6	0.7
	<b>322,723</b>	<b>100.0</b>	<b>210,895</b>	<b>100.0</b>	<b>53.0</b>

Note :

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

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

### Revenue

FY2010 revenue increased by approximately RMB 111.8 million or 53.0% from FY2009's RMB 210.9 million to FY2010's RMB 322.7 million. The increase in sales is mainly due to the full year sales of ammonium nitrate during FY2010 as compared to only 5 months during FY2009 (1 November 2008 to 31 March 2009). The increase is also due to the improvement of sales subsequent to the 2008 Beijing Olympics, whereby certain transportation and production restrictions affected our routine operations.

#### a) Sales within PRC

Sales within PRC increased by approximately RMB 111.5 million or 68.3%. The increase is mainly due to the sales of ammonium nitrate by our newly acquired subsidiary, Hebei Yinguang, of approximately RMB 75.3 million, an increase of RMB 56.4 million. Local PRC sales of all our products generally increase, in particular our detonating cords, piston non-electric detonators and boosters increased by approximately RMB 25.4 million (39.9%), RMB 16.3 million (33.4%) and RMB 6.9 million (35.1%) during the current financial year.

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

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

b) Sales through export distributors

Sales to export distributors reduced by approximately RMB 10.7 million or 76.6% from RMB 14.0 million during FY2009 to RMB 3.3 million during FY2010. Sales through export distributors were reduced due to the commencement of use of our own export licence to carry out some overseas sales.

c) Sales to Australia and other countries

Sales to Australia increased by approximately RMB 9.5 million or 36.3% and sales to other customers increased by approximately RMB 1.6 million or 20.9% mainly due to improving global economic conditions.

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

**Gross profit margin**

Gross profit margin deteriorates by approximately 2.7 percentage points from FY2009's 38.0% to FY2010's 35.3%.

The decrease in our gross profit margin is mainly due to the lower gross profit margin the acquisition of Hebei Yinguang as compared to our existing product range for commercial explosives.

Gross profit margin for Hebei Yinguang deteriorates by 0.6% from FY2009's 13.9% to FY2010's 13.3%.

Gross profit margin for Yinguang Technology improved slightly by 1.7% from FY2009's 40.3% to FY2010's 42.0%. This is mainly due to more units produced during the current financial year leading to a lower fixed cost per unit, offset by a general increase in raw material prices during the current financial year.

**Other credits / (Other charges)**

Other credits relate to a government grant of RMB 604,000 and provision for doubtful debts written-back of approximately RMB 14,000.

Other charges comprise of a foreign exchange adjustment loss of RMB 751,000, goodwill written-off of RMB 31,000, loss on disposal of property, plant and equipment of RMB 122,000 and a provision for doubtful debts of RMB 4.7 million.

Foreign exchange adjustment loss arises from foreign exchange rate changes between Renminbi (RMB), US Dollars and Singapore Dollars.

Goodwill written-off relates to a one-time write-off of goodwill arising from the acquisition of Hebei Yinguang.

During the current financial year, the Group made an aggregate provision for doubtful debts of RMB 4.7 million (FY2009: RMB 3.5 million) in anticipation of the impact of the global economic crisis on our customers.

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

#### **Operating expenses**

Distribution costs increased by approximately RMB 5.6 million or 46.6% from FY2009's RMB 12.0 million to FY2010's RMB 17.7 million. The increase is in line with the increase in sales revenue.

Administrative expenses increased by approximately RMB 6.9 million or 29.0% from FY2009's RMB 23.8 million to FY2010's 30.7 million. The increase is mainly due to the increase in those expenses relating to the higher Group's results, for example, executive directors' profit sharing and safety expenses. Executive directors' profit sharing is computed based on a certain pre-defined percentage of our profit before taxation and provision for safety expenses is computed based on pre-defined percentages of our annual revenue as set by the State Administration of Work Safety of the PRC.

#### **Finance costs**

Interest income decreased slightly by approximately RMB 49,000. Finance costs increased by approximately RMB 1.8 million during the current financial year as compared to the previous financial year.

Finance costs increased mainly due to the payment of interest expenses for Hebei Yinguang's interest-bearing borrowings.

#### **Income tax expenses**

According to the Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises of the PRC, the China operating subsidiary of the Group, Shandong Yinguang Technology Co., Ltd. ("Yinguang Technology"), qualifies to enjoy a five-year tax incentive period. Under the terms of the said tax incentive period, Yinguang Technology is exempted from paying income tax for the first two profitable years of operations and is granted a 50.0% relief from the state income tax of 30.0% for the following three years. The first profitable year of Yinguang Technology is 2005. Hence, the profits derived during calendar years 2005 and 2006 were exempted from income tax. With effect from 1 January 2007, Yinguang Technology is liable to pay 15% tax, representing 50.0% of the state income tax of 30.0%.

With the lowering of state income tax from 30.0% to 25.0% with effect from 1 January 2008, Yinguang Technology is liable to pay a reduced tax rate of 12.5%, representing 50.0% of the state income tax of 25.0%, for 2 years from 1 January 2008 to 31 December 2009.

With effect from 1 January 2010, our China subsidiaries are liable to pay the full tax rate of 25%. The effective tax rate for FY2010 was 19.1% (FY2009: 17.0%).

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

**Balance sheet**

Property, plant and equipment increased by approximately RMB 47.4 million mainly due to the finalisation of the purchase price allocation ("PPA") exercise for the acquisition of Hebei Yinguang which increased the fair value of Hebei Yinguang's property, plant and equipment by RMB 12.1 million and the increase in construction costs for the two new production facilities, boosters and piston non-electric detonators.

Goodwill on consolidation as at 31 March 2009 was recognised on a provisional basis from the consolidation of our newly acquired subsidiary, Hebei Yinguang Chemical Co., Ltd. The process of determining the fair value for the acquisition of Hebei Yinguang was completed during FY2010 and RMB 31,000 was determined as the goodwill after the fair value adjustment. RMB 31,000 was written-off during the financial year as the amount is immaterial.

Licences of RMB 4.1 million and customer relationships of RMB 3.3 million are recognized upon the finalisation of the PPA exercise and will be amortised over a 10-year period.

Land use rights increased by approximately RMB 9.2 million mainly due to the increase in the fair value of Hebei Yinguang's land use rights by RMB 5.9 million upon the finalisation of the PPA exercise.

Deferred tax assets relate to the deferred tax difference for allowance for impairment and provision for safety expenses.

Inventories increased slightly by approximately RMB 0.8 million from FY2009's RMB 47.0 million to FY2010's RMB 47.8 million.

Trade receivables and other receivables decreased by approximately RMB 20.0 million mainly due to the improved recovery of debts during the current financial year.

Other assets comprise the Group's prepayments. Other assets increased slightly by approximately RMB 0.2 million from FY2009's RMB 27.5 million to FY2010's RMB 27.7 million.

As at 31 March 2010, our current liabilities comprise income tax payable of RMB 7,000, trade and other payables of approximately RMB 123.3 million, short-term loan from financial institutions of RMB 21 million, third party loan of approximately RMB 22.6 million, finance lease obligation of approximately RMB 77,000 and other liabilities of approximately RMB 3.4 million. Non-current finance lease obligation approximates RMB 171,000.

Trade payables and accrual decreased by approximately RMB 16.8 million mainly due to the decrease in bills payables as at the year-end of approximately RMB 20 million. Other payables decreased by approximately RMB 4.0 million mainly due to the repayment of amount owing to Shandong Yinguang Group Co., Ltd. As at 31 March 2010, the amount owing to Shandong Yinguang Group Co., Ltd. approximates RMB 6.2 million (31 March 2009: RMB 12.2 million). This RMB 6.2 million arises due to the acquisition of Hebei Yinguang. For further details, please refer to the Company's Circular dated 29 August 2008.

Loans from financial institutions and third party decreased by approximately RMB 2.0 million and RMB 4.0 million respectively.

Other liabilities increased slightly by approximately RMB 1.4 million mainly due to the increase in amount paid in advance by customers.

Total finance lease obligation of approximately RMB 246,000 consists of a 7 years finance lease secured against a motor vehicle with net book value of approximately RMB 335,000 as at 31 March 2010 and bears effective interest rate of 6.61% per annum.

Deferred tax liabilities of RMB 5.9 million relate to the deferred tax difference upon the finalisation of the PPA exercise for the acquisition of Hebei Yinguang.

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

**Cash flow**

For the financial year ended 31 March 2010, the Group has net cash generated from operating activities of approximately RMB 56.6 million, net cash used in investing activities of approximately RMB 53.6 million and net cash used in financing activities of approximately RMB 8.4 million.

The net cash generated from operating activities of RMB 56.6 million is mainly due to the improved recovery of debts and offset by the increase in payment to trade and other payables.

The net cash used in investing activities of approximately RMB 53.6 million is mainly due to the payment of the construction cost for our two new production facilities.

Our net cash used in financing activities of approximately RMB 8.4 million is mainly due to the interest payment and repayment of loans from third party and financial institutions.

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

No forecast or prospect statement has been previously issued.

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

**Global economic conditions**

With the current global economic conditions, the board of directors remains cautious and will inform our shareholders of any material impact these economic conditions may have on the Group's future performance.

**11. Dividend**

- (a) ***Current Financial Period Reported On***  
**Any dividend declared for the current financial period reported on?**

Yes.

Details of dividend

Name of dividend :	First and final
Dividend type :	Cash
Dividend rate :	S\$0.005 per ordinary share (tax exempt one-tier)

- (b) ***Corresponding Period of the Immediately Preceding Financial Year***  
**Any dividend declared for the corresponding period of the immediately preceding financial year?**

None.

- (c) ***Date payable***

To be announced later.

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

To be announced later.

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

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**Business segments**

The Group has five major operating segments classified according to the usage of our products. The five segments are (a) explosive devices such as boosters, seismic charges and tube charges; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators; (d) ammonium nitrate and (e) others.

<b>FY2010 RMB'000</b>	<b>Explosive devices</b>	<b>Industrial fuse and initiating devices</b>	<b>Industrial detonators</b>	<b>Ammonium Nitrate</b>	<b>Unallocated</b>	<b>Total</b>
Revenue	83,756	97,259	65,437	75,321	950	322,723
Recurring EBITDA <sup>1</sup>	18,498	49,117	32,225	6,988	746	107,574
Depreciation	(1,164)	(117)	(4,933)	(3,978)	(3,274)	(13,466)
Amortisation	(432)	–	(31)	(1,621)	–	(2,084)
ORBIT <sup>2</sup>	16,902	49,000	27,261	1,389	(2,528)	92,024
Interest income					228	228
Finance costs					(2,363)	(2,363)
Unallocated corporate expenses					(31,519)	(31,519)
Profit before income tax						58,370
Income tax expenses						(11,157)
Profit attributable to shareholders						47,213

<b>FY2010 RMB'000</b>	<b>Explosive devices</b>	<b>Industrial fuse and initiating devices</b>	<b>Industrial detonators</b>	<b>Ammonium Nitrate</b>	<b>Unallocated</b>	<b>Total</b>
Total assets for reporting segments	52,551	6,273	104,975	120,208	–	284,007
Unallocated:						
Property, plant & equipment					22,961	22,961
Deferred tax assets					3,627	3,627
Inventories					21,729	21,729
Trade and other receivables					85,162	85,162
Other assets					19,301	19,301
Cash and cash equivalents					96,139	96,139
	52,551	6,273	104,975	120,208	248,919	532,926
Total liabilities for reporting segments	586	450	850	83,601	–	85,487
Unallocated:						
Income tax payable					7	7
Trade and other payables					89,211	89,211
Other liabilities					1,471	1,471
Other financial liabilities					246	246
	586	450	850	83,601	90,935	176,422

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (Cont'd)**

<b>FY2009 RMB'000</b>	<b>Explosive devices</b>	<b>Industrial fuse and initiating devices</b>	<b>Industrial detonators</b>	<b>Ammonium Nitrate</b>	<b>Unallocated</b>	<b>Total</b>
Revenue	69,274	71,510	49,934	18,895	1,282	210,895
Recurring EBITDA <sup>1</sup>	15,527	34,803	18,763	1,140	925	71,158
Depreciation	(1,070)	(325)	(357)	(350)	(1,055)	(3,157)
Amortisation	–	–	–	(90)	–	(90)
ORBIT <sup>2</sup>	14,457	34,478	18,406	700	(130)	67,911
Interest income					277	277
Finance costs					(530)	(530)
Unallocated corporate expenses					(25,564)	(25,564)
Profit before income tax						42,094
Income tax expenses						(7,158)
Profit attributable to shareholders						34,936

<b>FY2009 RMB'000</b>	<b>Explosive devices</b>	<b>Industrial fuse and initiating devices</b>	<b>Industrial detonators</b>	<b>Ammonium Nitrate</b>	<b>Unallocated</b>	<b>Total</b>
Total assets for reporting segments	51,154	6,167	89,244	124,114	–	270,679
Unallocated:						
Property, plant & equipment					4,090	4,090
Inventories					29,512	29,512
Trade and other receivables					109,410	109,410
Other assets					20,127	20,127
Cash and cash equivalents					75,867	75,867
	51,154	6,167	89,244	124,114	239,006	509,685
Total liabilities for reporting segments	716	520	1,500	101,578	–	104,314
Unallocated:						
Income tax payable					4,266	4,266
Trade and other payables					90,784	90,784
Other liabilities					1,564	1,564
Other financial liabilities					292	292
	716	520	1,500	101,578	96,906	201,220

<sup>1</sup> EBITDA refers to earnings from operations before depreciation, amortization, interests and income taxes

<sup>2</sup> ORBIT refers to operating result before interests and income taxes and other unallocated items

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (Cont'd)**

<b>Other information:</b>	<b>Explosive devices</b>	<b>Industrial fuse and initiating devices</b>	<b>Industrial detonators</b>	<b>Ammonium Nitrate</b>	<b>Unallocated</b>	<b>Total</b>
Capital expenditure						
2010	3,590	188	16,245	10,845	23,505	54,373
2009	24,734	191	65,789	13,178	732	104,624
Other non-cash expenses other than depreciation/amortisation						
2010	–	–	–	–	4,854	4,854
2009	–	–	–	–	3,549	3,549

### **Geographical segments**

Revenue by geographical segments are based on the location of the customers regardless of where the goods are produced. The assets and capital expenditure are based on the location of those assets.

	<b>FY2010 RMB'000</b>	<b>FY2009 RMB'000</b>
<b><u>Revenue</u></b>		
Within PRC	274,699	163,188
<b><u>Outside PRC</u></b>		
Sales through export distributors *	3,290	14,034
Australia	35,556	26,083
Others	9,178	7,590
Subtotal for all foreign countries	48,024	47,707
Total continuing operations	<b>322,723</b>	<b>210,895</b>

\* These were sales to export distributors in the PRC in which they export the products to their customers overseas.

### **Non-current assets**

Within PRC	250,788	203,113
Singapore	343	376
	<b>251,131</b>	<b>203,489</b>

**14. In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments.**

**Business segments**

Revenue generated from the three main business segments, namely explosive devices, industrial fuse and initiating devices and industrial detonators, increased by approximately 20.9%, 36.0% and 31.0% respectively. The increase is mainly due to the improvement in sales subsequent to the 2008 Beijing Olympics whereby certain transportation and production restrictions affected our routine operations. Gross profit margins from these segments generally improved during FY2010 due mainly to the increase in number of units produced, but partially offset by a general increase in raw materials prices.

Our newly acquired subsidiary, Hebei Yinguang, contributed revenue of approximately RMB 75.3 million, an increase of RMB 56.4 million or 298.6% from FY2009's RMB 18.9 million. During FY2009, we only recognised 5 months of revenue from the date of acquisition, whereas for FY2010, we recognised the full 12 months of revenue. Moreover, the new 40,000 tonnes production plant commenced operations during the current financial year, thus increasing the units produced and sold and thus the incremental revenue. FY2010's gross profit margin for Hebei Yinguang approximates 13.3% as compared to FY2009's 13.9%. The lower gross profit margin is due to the finalisation of the PPA exercise, whereby the fair values of the fixed assets were increased by approximately RMB 12.1 million.

**Geographical segments**

During FY2010, PRC sales increased by approximately RMB 111.5 million or 68.3% and overseas sales increased by approximately RMB 0.3 million or 0.7%. PRC and export revenue represents approximately 85.2% (FY2009: 77.4%) and 14.8% (FY2009: 22.6%) of the total revenue for FY2010. The increase in proportion of PRC sales over export sales is mainly due to the sales of ammonium nitrate whereby all ammonium nitrate are sold in PRC.

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

**15. A breakdown of sales.**

	Group		Increase/
	FY2010	FY2009	(Decrease)
	RMB'000	RMB'000	%
Revenue reported for first half year	168,043	71,444	135.2
Operating profit after tax reported for first half	30,442	12,618	141.3
Revenue reported for second half year	154,680	139,451	10.9
Operating profit after tax reported for second half	16,771	22,318	(24.9)

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

**Total annual dividend**

	FY2010	FY2009
	RMB'000	RMB'000
Ordinary	-	-
Preference	-	-
Total	-	-

17. Interested Person Transaction

		Aggregate value of all interested person transaction (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		FY2010	FY2009	FY2010	FY2009
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	8,000	5,000	-	-
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	2,885	2,779	-	-
Feixian Yinguang Magnesium Co., Ltd	Purchase of magnesium materials	701	483	-	-
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	1,241	1,136	-	-
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	4,921	1,351	-	-
Shandong Yinguang Chemical Group Co., Ltd	Sales of ammonium nitrate	-	486	27,108	-
Shandong Yinguang Qianfeng Chemical Co., Ltd <sup>(1)</sup>	Sales of ammonium nitrate	-	-	-	5,059
Tai'an Yinguang Xinhua Chemical Co., Ltd <sup>(1)</sup>	Sales of ammonium nitrate	-	-	-	7,108

Footnote:

(1) With effect from 1 January 2009, the operations and businesses of Shandong Yinguang Qianfeng Chemical Co., Ltd and Tai'an Yinguang Xinhua Chemical Co., Ltd were transferred to Shandong Yinguang Chemical Group Co., Ltd. ("Yinguang Group"). The above FY2009 amounts referred to transactions carried out since date of acquisition of Hebei Yinguang till 31 March 2009. The relevant general mandate was updated and approved at the Annual General Meeting held on 10 July 2009.

**18. Transactions with Beijing Aoxin Chemical Technology Development Co., Ltd (“Aoxin”)**

Aoxin is connected to our Directors and/or Controlling Shareholders which do not fall within the ambit of the definition of an “Interested Person” under Chapter 9 of the Listing Manual. We may continue with such transactions where the terms relating thereto are in the interest of, or beneficial to, our Group.

Aoxin is an import and export trading company. It is also one of the few export companies in the PRC with the relevant licence to export commercial explosives. Shandong Yinsheng Investments Co., Ltd, who is 54.3% owned by our executive officer, Sun Qiang, has a 9.9% interest in Aoxin. Our Managing Director is also a non-executive director of Aoxin.

We sell our products to Aoxin which in turn sells to its customers overseas. Although we have obtained our own export licence, we may also engage the services of Aoxin to export our products to our overseas customers due to certain commercial reasons. In these cases, we will negotiate the terms of sales and sign the sales contracts with our overseas customers. The transactions were entered into on normal commercial terms and on arm’s length basis.

	<b>FY2010</b>	<b>FY2009</b>
<b>Nature</b>	<b>RMB’000</b>	<b>RMB’000</b>
Sales of commercial explosives to Aoxin	-	11,937
Sales of commercial explosives to our overseas customers through Aoxin	29,695	29,421

**BY ORDER OF THE BOARD**  
**SUN BOWEN**  
**MANAGING DIRECTOR**  
**19 MAY 2010**