



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Third Quarter ended 31 December 2010 (“3Q2011”)

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			Group		
	3 months from 1 Oct 2010 to 31 Dec 2010 RMB'000	3 months from 1 Oct 2009 to 31 Dec 2009 RMB'000	Increase/ (Decrease) %	9 months from 1 Apr 2010 to 31 Dec 2010 RMB'000	9 months from 1 Apr 2009 to 31 Dec 2009 RMB'000	Increase/ (Decrease) %
Revenue	127,844	81,151	57.5	322,036	249,194	29.2
Cost of sales	(88,482)	(52,849)	67.4	(221,484)	(156,893)	41.2
Gross profit	<u>39,362</u>	<u>28,302</u>	39.1	<u>100,552</u>	<u>92,301</u>	8.9
Other Items of Income						
Interest income	173	58	198.3	397	171	132.2
Other credits – Note (i)	100	-	N.M.	1,081	89	1114.6
Other Items of Expense						
Distribution costs	(7,674)	(5,240)	46.5	(18,183)	(13,188)	37.9
Administrative expenses	(11,811)	(8,227)	43.6	(30,415)	(22,973)	32.4
Financial expense	(587)	(386)	52.1	(1,915)	(1,237)	54.8
Other charges	(205)	(110)	86.4	(1,115)	(710)	57.0
Profit before income tax	<u>19,358</u>	<u>14,397</u>	34.5	<u>50,402</u>	<u>54,453</u>	(7.4)
Income tax expense	(6,192)	(2,194)	182.2	(15,868)	(11,808)	34.4
Profit attributable to shareholders	<u><u>13,166</u></u>	<u><u>12,203</u></u>	7.9	<u><u>34,534</u></u>	<u><u>42,645</u></u>	(19.0)
Note (i) – Other credits						
Gain on sale of fixed assets	100	-	N.M.	111	89	24.7
Government grant	-	-	-	813	-	N.M.
Write back of allowance for impairment on trade receivables	-	-	-	157	-	N.M.
	<u>100</u>	<u>-</u>	N.M.	<u>1,081</u>	<u>89</u>	N.M.
Note (ii) – Other Charges						
Foreign exchange adjustment loss	(205)	(110)	86.4	(1,115)	(710)	57.0
	<u>(205)</u>	<u>(110)</u>	86.4	<u>(1,115)</u>	<u>(710)</u>	57.0

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

Amortisation expenses	(424)	(404)	5.0	(1,272)	(1,732)	(26.6)
Depreciation expenses	(3,988)	(2,992)	33.3	(11,847)	(9,046)	31.0
Foreign exchange adjustment gain / (loss)	(205)	(110)	86.4	(1,115)	(710)	57.0
Gain on sale of fixed assets	100	-	N.M.	111	89	24.7
Interest expense	(587)	(386)	51.2	(1,915)	(1,237)	54.8
Interest income from bank deposits	173	58	198.3	397	171	132.2
Write back of allowance for impairment on trade receivables	-	-	-	157	-	N.M.

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

	Group			Group		
	3 months from 1 Oct 2010 to 31 Dec 2010 RMB'000	3 months from 1 Oct 2009 to 31 Dec 2009 RMB'000	Increase/(Decrease) %	9 months from 1 Apr 2010 to 31 Dec 2010 RMB'000	9 months from 1 Apr 2009 to 31 Dec 2009 RMB'000	Increase/(Decrease) %
Profit attributable to shareholders	13,166	12,203	7.9	34,534	42,645	(19.0)
Foreign currency translation difference	70	78	(10.3)	795	817	(2.7)
Total comprehensive income for the period	<u>13,236</u>	<u>12,281</u>	7.8	<u>35,329</u>	<u>43,462</u>	(18.7)

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 December 2010 RMB'000	31 March 2010 RMB'000	31 December 2010 RMB'000	31 March 2010 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	181,647	185,840	311	343
Intangible assets	6,756	7,403	-	-
Other assets, non-current	53,636	54,261	-	-
Deferred tax assets	3,303	3,627	-	-
Investment in subsidiary	-	-	115,485	110,185
Total non-current assets	245,342	251,131	115,796	110,528
Current assets :				
Inventories	42,621	47,763	-	-
Trade and other receivables (Note 1)	102,666	99,124	11,568	26,323
Other assets , current	31,303	27,653	57	101
Cash and cash equivalents	123,136	107,255	325	285
Total current assets	299,726	281,795	11,950	26,709
Total assets	545,068	532,926	127,746	137,237
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	230,545	205,844	2,726	18,139
Other reserves	38,552	33,811	3,588	(2,506)
Total equity	385,946	356,504	123,163	132,482
Non-Current liabilities :				
Deferred tax liabilities	5,750	5,910	-	-
Other financial liabilities	117	171	117	171
Total non-current liabilities	5,867	6,081	117	171
Current liabilities :				
Income tax payable	1,685	7	-	-
Trade and other payables (Note 2)	109,908	123,257	4,384	4,509
Other financial liabilities, current	38,174	43,681	82	75
Other liabilities	3,488	3,396	-	-
Total current liabilities	153,255	170,341	4,466	4,584
Total liabilities	159,122	176,422	4,583	4,755
Total liabilities and equity	545,068	532,926	127,746	137,237
Note 1				
Trade receivables	101,839	98,040	-	-
Dividend receivable from subsidiary	-	-	11,568	26,323
Other receivables	827	1,084	-	-
Trade and other receivables	102,666	99,124	11,568	26,323
Note 2				
Trade payables and accruals	77,548	71,544	4,217	4,412
Other payables	32,360	51,713	167	97
Trade and other payables	109,908	123,257	4,384	4,509

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

Amount repayable in one year or less, or on demand

(RMB'000)

31 December 2010		31 March 2010	
Secured	Unsecured	Secured	Unsecured
10,082	28,092	3,075	40,606

Amount repayable after one year

(RMB'000)

31 December 2010		31 March 2010	
Secured	Unsecured	Secured	Unsecured
117	-	171	-

Details of any collateral

As at 31 December 2010, the Group has secured borrowings comprising a 7-year finance lease of approximately RMB 199,000 for the purchase of a motor vehicle and aggregate secured short-term bank loans of RMB 10 million. Unsecured borrowings relate to a loan from a third party of RMB 13.1 million and an unsecured short-term bank loan of RMB 15 million.

The finance lease is secured against the motor vehicle with net book value of approximately RMB 308,000, and bears effective interest rate of 6.61% per annum.

Secured short-term bank loans are secured using Hebei Yinguang Chemical Co., Ltd's ("Hebei Yinguang") land and buildings with net book value of approximately RMB 6.6 million. The secured short-term bank loans' interest rate is 6.903% per annum.

Unsecured borrowing of RMB 28.1 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd of RMB 13.1 million and short-term bank loan of RMB 15.0 million. A portion of the unsecured loan from Linxi County Nitrogenous Fertilizer Co., Ltd has an interest rate of 12% per annum. Unsecured short-term bank loan of RMB 15 million is guaranteed by a corporate guarantee of Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang, and by the Ministry of Finance of Linxi County. The unsecured short-term bank loans' interest rates range between 6.1065% and 12.654% 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		Group	
	3 months from 1 Oct 2010 to 31 Dec 2010 RMB'000	3 months from 1 Oct 2009 to 31 Dec 2009 RMB'000	9 months from 1 Apr 2010 to 31 Dec 2010 RMB'000	9 months from 1 Apr 2009 to 31 Dec 2009 RMB'000
Cash flows from operating activities				
Profit before income tax	19,358	14,397	50,402	54,453
Adjustments for :				
Amortisation expenses	424	404	1,272	1,732
Depreciation expense	3,988	2,992	11,847	9,046
Gain on sale of fixed assets	(100)	-	(111)	(89)
Interest income	(173)	(58)	(397)	(171)
Interest expenses	587	386	1,915	1,237
Write back of allowance for impairment on trade receivables	-	-	(157)	-
Net effect of exchange rate changes in consolidating foreign currency financial statements	67	74	779	786
Operating profit before working capital changes	24,151	18,195	65,550	66,994
Trade and other receivables	(1,757)	7,699	(3,321)	431
Other assets	(7,816)	(3,638)	(3,650)	(2,663)
Inventories	(1,958)	(4,711)	5,142	(2,413)
Trade and other payables	16,786	9,156	(13,349)	(27,632)
Other liabilities	897	2,407	92	3,128
Cash generated from operations	30,303	29,108	50,464	37,845
Income tax paid	(6,989)	(2,854)	(14,090)	(13,812)
Net cash from operating activities	23,314	26,254	36,374	24,033
Cash flows from investing activities				
Proceeds from sale of fixed assets	533	-	633	384
Purchase of property, plant and equipment	(4,316)	(2,421)	(8,160)	(14,887)
Interest received	173	58	397	171
Net cash used in investing activities	(3,610)	(2,363)	(7,130)	(14,332)
Cash flows from financing activities				
Payment of dividends	-	-	(5,887)	-
Repayment of finance lease obligation	(20)	(15)	(47)	(28)
Increase in short-term bank loan	-	4,000	4,000	1,000
Repayment of third party loan	(2,577)	(1,076)	(9,514)	(2,348)
Interest paid	(587)	(386)	(1,915)	(1,237)
Net cash (used in) / generated from financing activities	(3,184)	2,523	(13,363)	(2,613)
Net increase in cash	16,520	26,414	15,881	7,088
Cash at beginning of the period	106,616	93,295	107,255	112,621
Cash at end of the period	123,136	119,709	123,136	119,709

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

	Share capital	Statutory reserves	Foreign exchange translation reserves	Retained earnings	Total
Group (RMB'000)					
Balance at 1 April 2010	116,849	33,360	451	205,844	356,504
Appropriation for the period	-	2,541	-	(2,541)	-
Dividend paid	-	-	-	(5,887)	(5,887)
Total comprehensive income for the period	-	-	725	21,368	22,093
Balance at 30 September 2010	116,849	35,901	1,176	218,784	372,710
Appropriation for the period	-	1,405	-	(1,405)	-
Total comprehensive income for the period	-	-	70	13,166	13,236
Balance at 31 December 2010	116,849	37,306	1,246	230,545	385,946
Balance at 1 April 2009	116,849	28,132	(375)	163,859	308,465
Appropriation for the period	-	3,552	-	(3,552)	-
Total comprehensive income for the period	-	-	739	30,442	31,181
Balance at 30 September 2009	116,849	31,684	364	190,749	339,646
Appropriation for the period	-	1,032	-	(1,032)	-
Total comprehensive income for the period	-	-	78	12,203	12,281
Balance at 31 December 2009	116,849	32,716	442	201,920	351,927

	Share capital	Foreign exchange translation reserve	Retained earnings/ (Accumulated losses)	Total
Company (RMB'000)				
Balance at 1 April 2010	116,849	(2,506)	18,139	132,482
Dividend paid	-	-	(5,887)	(5,887)
Total comprehensive income/(loss) for the period	-	5,272	(6,163)	(891)
Balance at 30 September 2010	116,849	2,766	6,089	125,704
Total comprehensive income/(loss) for the period	-	822	(3,363)	(2,541)
Balance at 31 December 2010	116,849	3,588	2,726	123,163
Balance at 1 April 2009	116,849	(12,342)	8,494	113,001
Total comprehensive income/(loss) for the period	-	8,259	(5,962)	2,297
Balance at 30 September 2009	116,849	(4,083)	2,532	115,298
Total comprehensive income/(loss) for the period	-	1,071	(2,610)	(1,539)
Balance at 31 December 2009	116,849	(3,012)	(78)	113,759

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 December 2010	31 March 2010
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.

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.

There are no 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.

	Group		Group	
	3 months ended 31 Dec 2010	3 months ended 31 Dec 2009	9 months ended 31 Dec 2010	9 months ended 31 Dec 2009
	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per ordinary share for the year based on net profit attributable to shareholders :				
Based on weighted average number of ordinary shares in issue	5.63	5.21	14.76	18.22
Weighted average number of ordinary shares in issue for basic earnings per share	234,000,000	234,000,000	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.

	Group		Company	
	31 Dec 2010	31 March 2010	31 Dec 2010	31 March 2010
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued capital at the end of the financial year	164.93	152.35	52.63	56.62
Number of shares used 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. (Cont'd)**

Revenue (cont'd)

a) **Sales within PRC**

Sales within PRC increased by approximately RMB 38.9 million or 59.0% in 3Q2011 compared to 3Q2010. The increase is mainly due to the increased in sales in all our product range on the back of an increase in mining activities that is unpinned by improving economic conditions.

For 9M2011, sales within PRC increased by approximately RMB 61.2 million or 28.7%. While sales in our traditional product range have generally increased, the increase in revenue was mainly attributed to the increased sales of ammonium nitrate.

b) **Sales to Australia**

Sales to Australia increased by RMB 6.3 million or 73.3% in 3Q2011 as compared to 3Q2010. The increase was mainly due to the increased shipments to Australia. Sales to Australia will fluctuate due to the different shipping schedules determined by our customers.

For 9M2011, sales to Australia increased by approximately RMB 5.0 million or 19.9%.

c) **Sales through export distributors and other countries**

The fluctuation in sales through export distributors and other countries was mainly due to the difference in schedules shipments that are determined by export distributors and overseas customers.

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

Due to the increased sales of ammonium nitrate, gross profit margin decreased by approximately 4.1 percentage points from 3Q2010's 34.9% to 3Q2011's 30.8%. For 9M2011, gross profit margin decreased by approximately 5.8 percentage points from 9M2010's 37.0% to 9M2011's 31.2%.

The decrease in our gross profit margin was mainly attributed to the higher proportion of lower-margin products (ammonium nitrate) in our sales revenue. Rising raw materials prices also contributed to the decrease in the Group's gross profit margin as compared to the corresponding period in the preceding year, in particular cotton-related raw materials for the manufacturing of our detonating cords.

Interest income / (Finance costs)

For 3Q2011 and 9M2011, interest income increased by approximately RMB 115,000 and RMB 226,000, mainly due to higher bank deposits during the period. Finance costs increased by approximately RMB 201,000 and RMB 0.7 million, mainly due to the higher bank loans.

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 2.4 million or 46.5% and RMB 5.0 million or 37.9% in 3Q2011 and 9M2011 respectively. This was in line with the increase in revenue as higher transportation expenses were incurred and port charges also increased due to higher export sales during the period.

For 3Q2011 and 9M2011, administrative expenses increased by approximately RMB 3.6 million or 43.6% and RMB 7.4 million or 32.4% respectively. The increase in administrative expenses was mainly due to the commencement of the new production facilities as our subsidiary was also required to pay the additional insurance, land use rights tax and property tax during the current financial period.

Other credits / (charges)

For 3Q2011, other credits relate to gain on sale of fixed assets of approximately RMB 100,000. Other charges relate to the foreign exchange adjustment loss of approximately RMB 205,000.

Other credits for 9M2011 relate to gain on sale of fixed assets of approximately RMB 111,000, government grant of RMB 813,000 and write back of allowance for impairment on trade receivables of RMB 157,000. Other charges relate to foreign exchange loss of approximately RMB 1.1 million.

Foreign exchange loss arises due to exchange rate fluctuations between Renminbi (RMB), United States Dollar (US\$) and Singapore Dollars (S\$) during the current period reported on.

Income tax expenses

The effective tax rate for 3Q2011 and 9M2011 was 32.0% and 31.5% (3Q2010: 15.2% ; 9M2010 : 21.7%). This is higher than the PRC concessionary tax rate of 25.0% (9M2010: 12.5%) mainly due to the non-deductible expenses.

Balance sheet

Property, plant and equipment decreased by approximately RMB 4.2 million, mainly due to the depreciation charge of approximately RMB 11.8 million during the 9 month period, which was partially offset by the purchase of miscellaneous equipment and machineries.

Intangible assets comprised of the Group's licences and customer relationships which arose during the purchase price allocation ("PPA") exercise for the acquisition of Hebei Yinguang during FY2010. Intangible assets decreased by approximately RMB 0.6 million mainly due to the amortisation charges during the current 9 month period.

Other assets, non-current relate to the Group's land use rights. Land use rights decreased by approximately RMB 0.6 million due to the amortisation charge during the current 9 month period.

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

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 14.2%, 34.3%, 10.4% and 41.1% of our total current assets as at 31 December 2010.

Inventories decreased by approximately RMB 5.1 million or 10.8% from 31 March 2010's RMB 47.8 million to 31 December 2010's RMB 42.6 million. The decrease was mainly due to the sales of finished goods during the current 9 months period.

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 (Cont'd)

Trade and other receivables increased marginally by approximately RMB 3.5 million or 3.6%, mainly due to increase in sales revenue with improved collectability.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 3.7 million or 13.2% to RMB 31.3 million as at 31 December 2010.

As at 31 December 2010, our current liabilities comprised of income tax payable of RMB 1.7 million, trade and other payables of approximately RMB 109.9 million, other financial liabilities of approximately RMB 38.2 million and other liabilities of RMB 3.5 million. Non-current liabilities comprised of deferred tax liabilities of RMB 5.8 million and non-current portion of the finance lease obligation of RMB 0.1 million.

Trade and other payables decreased by approximately RMB 13.3 million mainly due to the payment of a land use right.

As at 31 December 2010, other current financial liabilities comprised of bank loans of RMB 25.0 million, third party loan of RMB 13.1 million and current portion of finance lease obligation of approximately RMB 82,000. Bank loans increased by RMB 4.0 million from RMB 21.0 million as at 30 March 2010 to RMB 25.0 million as at 31 December 2010. During the 9 months ended 31 December 2010, the Group repaid approximately RMB 9.5 million of third party loan.

Other liabilities of RMB 3.5 million relate to the Group's advances from customers.

Deferred tax liabilities of RMB 5.8 million relate to the deferred tax difference upon the finalisation of the PPA exercise for the acquisition of Hebei Yinguang.

The current and non-current portions of the finance lease obligation of RMB 82,000 and RMB 117,000 respectively relate to a 7-year finance lease secured against a motor vehicle with net book value of approximately RMB 308,000 as at 31 December 2010, which bears effective interest rate of 6.61% per annum.

Cash flow

For the 3 months ended 31 December 2010, the Group has net cash generated from operating activities of approximately RMB 23.3 million, net cash used in investing and financing activities of approximately RMB 3.6 million and RMB 3.2 million respectively.

For the current 9 months ended 31 December 2010, the Group has net cash generated from operating activities of approximately RMB 36.4 million, net cash used in investing activities and financing activities of approximately RMB 7.1 million and RMB 13.4 million respectively.

The net cash used in investing activities of approximately RMB 7.1 million is mainly due to the purchase of miscellaneous property, plant and equipment.

The net cash used in financing activities of approximately RMB 13.4 million is mainly due to the payment of dividends of approximately RMB 5.9 million, repayment of third party loan of approximately RMB 9.5 million and payment of interest expenses of approximately RMB 1.9 million respectively, partially offset by the increase in short-term bank loan of approximately RMB 4.0 million.

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.

Booster Sales to Dyno Nobel Australia

During 9M2011, our subsidiary, Shandong Yinguang Technology Co., Ltd (“Yinguang Technology”) had sold approximately RMB 2.0 million of boosters to Dyno Nobel Australia for trial use. These trial boosters have been well-received and successfully accepted by Dyno Nobel Australia.

Yinguang Technology is currently negotiating a one year booster supply contract with Dyno Nobel Australia. As this contract will essentially be fulfilled subsequent to 31 March 2011, the management does not expect this contract to have any material impact on the revenue and profits of the Group for the financial year ending 31 March 2011.

Impact of Cyclone Yasi and Floods in Australia

According to news reported during early 2011, Cyclone Yasi and floods in Australia are causing catastrophic damage to infrastructure in the state of Queensland and affected majority of its coal mines.

Australia is one of the Group’s major export countries and it represents 9.4% of the Group’s revenue for the 9 months period ended 31 December 2010. The Group has made good progress in our geographical expansion over the years and the management expects that Cyclone Yasi and the floods in Australia to have a limited negative impact on the Group’s revenue and profits for the 4th quarter of FY2011 and for FY2012.

New measures on all boosters production facilities in China to improve safety standards

In order to heighten the safety standards in the production of more dangerous commercial explosives products, the Chinese authority has introduced new measures on all the booster production facilities in China, as boosters are labeled under this product category.

In view of the new measures, the number of workers in the booster production facilities has been reduced and the amount of working hours has also been restricted. As a result, the production capacity for our booster facilities will be reduced from 8,000 tonnes to 5,000 tonnes annually.

For the financial year ended 31 March 2010, the Group has produced less than 3,000 tonnes of boosters, hence there are still sufficient production capacity to fulfill existing and new booster contracts. The management does not expect the new measures to have any material impact on the revenue and profits of the Group for the financial year ending 31 March 2011.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

None.

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

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

None.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

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

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

13. Negative assurance confirmation pursuant to Rule 705(4) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited 3rd quarter financial statements set out above to be false or misleading in any material aspect.

For and On behalf of the Board of Directors

Sun Bowen
Managing Director

Bao Hongwei
Director

**BY ORDER OF THE BOARD
SUN BOWEN
MANAGING DIRECTOR
14 FEBRUARY 2011**