



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2011 (“FY2011”)

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) %
	FY2011 RMB'000	FY2010 RMB'000	
Revenue	416,168	322,723	29.0
Cost of sales	(290,973)	(208,853)	39.3
Gross profit	125,195	113,870	9.9
<u>Other Items of Income</u>			
Interest income	453	228	98.7
Other credits – Note (i)	1,261	618	104.0
<u>Other Items of Expense</u>			
Distribution costs	(24,506)	(17,666)	38.7
Administrative expenses	(38,838)	(30,712)	26.5
Finance costs	(2,504)	(2,363)	6.0
Other charges– Note (ii)	(5,389)	(5,605)	(3.9)
Profit before income tax	55,672	58,370	(4.6)
Income tax expense	(20,348)	(11,157)	82.4
Profit attributable to shareholders	35,324	47,213	(25.2)
Note (i) – Other Credits			
Gain on disposal of property, plant and equipment	35	-	N.M.
Government grant	1,032	604	70.9
Allowance for impairment on trade receivables reversal	194	14	1285.7
	1,261	618	104.0
Note (ii) – Other Charges			
Bad debts written-off	(135)	-	N.M.
Foreign exchange adjustment loss	(1,320)	(751)	75.8
Goodwill written-off	-	(31)	N.M.
Loss on disposal of property, plant and equipment	-	(122)	N.M.
Allowance for impairment on trade and other receivables - loss	(3,934)	(4,701)	(16.3)
	(5,389)	(5,605)	(3.9)

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) :-

	Group		Increase/ (Decrease) %
	FY2011 RMB'000	FY2010 RMB'000	
Allowance for impairment on trade and other receivables – loss	(3,934)	(4,701)	(16.3)
Allowance for impairment on trade receivables reversal	194	14	1285.7
Amortisation expenses	(1,823)	(2,084)	(12.5)
Bad debts written-off	(135)	-	N.M.
Depreciation expenses	(15,991)	(14,224)	12.4
Foreign exchange adjustment loss	(1,320)	(751)	75.8
Interest expense	(2,504)	(2,363)	6.0
Interest income from bank deposits	453	228	98.7
Gain/(Loss) on disposal of property, plant and equipment	35	(122)	(128.7)
Goodwill written-off	-	(31)	N.M.

Statement of Comprehensive Income

	Group		Increase/ (Decrease) %
	FY2011 RMB'000	FY2010 RMB'000	
Profit attributable to shareholders	35,324	47,213	(25.2)
Foreign currency translation difference	893	826	8.1
Total comprehensive income for the period	<u>36,217</u>	<u>48,039</u>	(24.6)

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 2011 RMB'000	31 March 2010 RMB'000	31 March 2011 RMB'000	31 March 2010 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	181,277	185,840	300	343
Intangible assets	6,541	7,403	-	-
Other assets, non-current	53,300	54,261	-	-
Deferred tax assets	4,110	3,627	-	-
Investment in subsidiary	-	-	117,175	110,185
Total non-current assets	245,228	251,131	117,475	110,528
Current assets :				
Inventories	46,534	47,763	-	-
Trade and other receivables (Note 1)	116,159	99,124	29,186	26,323
Other assets, current	30,302	27,653	73	101
Cash and cash equivalents	101,053	107,255	712	285
Total current assets	294,048	281,795	29,971	26,709
Total assets	539,276	532,926	147,446	137,237
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	231,074	205,844	20,451	18,139
Other reserves	38,911	33,811	5,377	(2,506)
Total equity	386,834	356,504	142,677	132,482
Non-Current liabilities :				
Deferred tax liabilities	5,380	5,910	-	-
Other financial liabilities	97	171	97	171
Total non-current liabilities	5,477	6,081	97	171
Current liabilities :				
Income tax payable	3,068	7	-	-
Trade and other payables (Note 2)	102,143	123,257	4,587	4,509
Other financial liabilities, current	39,515	43,681	85	75
Other liabilities	2,239	3,396	-	-
Total current liabilities	146,965	170,341	4,672	4,584
Total liabilities	152,442	176,422	4,769	4,755
Total liabilities and equity	539,276	532,926	147,446	137,237
Note 1				
Trade receivables	114,936	98,040	-	-
Amount receivable from subsidiary	-	-	29,186	26,323
Other receivables	1,223	1,084	-	-
Trade and other receivables	116,159	99,124	29,186	26,323
Note 2				
Trade payables and accruals	72,779	71,544	4,469	4,412
Other payables	29,364	51,713	118	97
Trade and other payables	102,143	123,257	4,587	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 March 2011		31 March 2010	
Secured	Unsecured	Secured	Unsecured
10,085	29,430	3,075	40,606

Amount repayable after one year

(RMB'000)

31 March 2011		31 March 2010	
Secured	Unsecured	Secured	Unsecured
97	-	171	-

Details of any collateral

As at 31 March 2011, the Group has secured borrowings comprising a 7 years finance lease of approximately RMB 182,000 for the purchase of a motor vehicle and aggregate secured short-term loan from financial institution of RMB 10.0 million. Unsecured borrowings relates to a loan from a third party of RMB 14.4 million and aggregate short-term loans from financial institutions of RMB 15.0 million.

The finance lease is secured against the motor vehicle with net book value of approximately RMB 297,000, 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 10.7 million. The secured short-term loans from financial institution have fixed interest rate of 6.903% per annum.

Unsecured borrowing of RMB 14.4 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 15.0 million are guaranteed by corporate guarantee of Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang. These loans have interest rate of 6.1065% 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	
	FY2011 RMB'000	FY2010 RMB'000
Cash flows from operating activities		
Profit before income tax	55,672	58,370
Adjustments for :		
Allowance for impairment on trade and other receivables - loss	3,934	4,701
Allowance for impairment on trade and other receivables – reversal	(194)	(14)
Amortisation expenses	1,823	2,084
Bad debts written-off	135	-
Depreciation expense	15,991	14,224
(Gain)/Loss on disposal of property, plant and equipment	(35)	122
Goodwill written-off	-	31
Interest expenses	2,504	2,363
Interest income	(453)	(228)
Net effect of exchange rate changes in translation of financial statements of parent	873	794
Operating cash flows before changes in working capital	80,250	82,447
Inventories	1,229	(762)
Trade and other receivables	(21,170)	15,523
Other assets	(2,649)	(153)
Trade and other payables	(21,114)	(20,800)
Other liabilities	(1,157)	1,387
Net cash flows from operations before interest and tax	35,389	77,642
Income tax paid	(18,040)	(21,024)
Net cash from operating activities	17,349	56,618
Cash flows from investing activities		
Payment for land use rights	-	(4,244)
Proceeds from disposal of property, plant and equipment	689	586
Purchase of property, plant and equipment	(12,062)	(49,712)
Interest received	453	228
Net cash used in investing activities	(10,920)	(53,142)
Cash flows from financing activities		
Dividends paid	(5,887)	-
Repayment of finance lease obligation	(64)	(46)
Repayment of loan from third party	(8,176)	(4,016)
Increase/(Decrease) in loans from financial institutions	4,000	(2,000)
Interest paid	(2,504)	(2,780)
Net cash used in financing activities	(12,631)	(8,842)
Net decrease in cash	(6,202)	(5,366)
Cash at beginning of the year	107,255	112,621
Cash at end of the year	101,053	107,255

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
Group (RMB'000)					
Balance at 1 April 2010	116,849	33,360	451	205,844	356,504
Appropriation for the year	-	4,207	-	(4,207)	-
Dividend paid	-	-	-	(5,887)	(5,887)
Total comprehensive income for the year	-	-	893	35,324	36,217
Balance at 31 March 2011	116,849	37,567	1,344	231,074	386,834
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

	Issued capital	Foreign currency translation reserves	Retained earnings	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 for the year	-	7,883	8,199	16,082
Balance at 31 March 2011	116,849	5,377	20,451	142,677
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

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 2011	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	
	FY2011	FY2010
	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	15.10	20.18
Weighted average number of ordinary shares in issue for basic earnings per share	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 March 2011	31 March 2010	31 March 2011	31 March 2010
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued shares at the end of the financial year	165.31	152.35	60.97	56.62
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 2010 ("FY2010") and financial year ended 31 March 2011 ("FY2011") are as follows:

Product Types	Group				% change
	FY2011		FY2010		
	RMB'000	%	RMB'000	%	
Explosive devices	95,887	23.1	83,756	25.9	14.5
Industrial fuse and initiating explosive devices	101,648	24.4	97,259	30.1	4.5
Industrial detonators	73,749	17.7	65,437	20.2	12.7
Ammonium Nitrate	144,430	34.7	75,321	23.3	91.8
Others ⁽¹⁾	454	0.1	950	0.5	(52.2)
	416,168	100.0	322,723	100.0	29.0

Geographical Segments	FY2011				% change
	FY2011		FY2010		
	RMB'000	%	RMB'000	%	
Within PRC	348,649	83.8	274,699	85.2	26.9
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	14,499	3.5	3,290	1.0	340.7
Australia	39,279	9.4	35,556	11.0	10.5
Others	13,741	3.3	9,178	2.8	49.7
	67,519	16.2	48,024	14.8	40.6
	416,168	100.0	322,723	100.0	29.0

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

FY2011 revenue increased by approximately RMB 93.4 million or 29.0% from FY2010's RMB 322.7 million to FY2011's RMB 416.2 million. The increase in revenue was mainly due to the increase of sales across all our product segments, in particular the sales of ammonium nitrate increased by RMB 69.1 million or 91.8% over the previous financial year.

a) Sales within PRC

Sales within PRC increased by approximately RMB 74.0 million or 26.9%. Sales of ammonium nitrate increased significantly which was mainly attributed to our marketing activities which enhanced our brand recognition among our existing and potential customers. Local PRC sales of piston non-electric detonators also increased by approximately RMB 5.3 million or 8.1% during the current financial year.

b) Sales through export distributors

Sales through export distributors increased by approximately RMB 11.2 million or 340.7% from RMB 3.3 million during FY2010 to RMB 14.5 million during FY2011. The increase was mainly due to new customers secured by export distributors.

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)**

c) Sales to Australia

Sales to Australia increased by approximately RMB 3.7 million or 10.5% mainly due to the progressive sales to Dyno Nobel Australia during the current financial year.

d) Sales to other countries

With the relevant export licenses and in-house capabilities, the Group has also increased its direct sales to other countries by approximately RMB 4.5 million or 49.7%.

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 dipped by approximately 5.2 percentage points from FY2010's 35.3% to FY2011's 30.1%.

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, particularly explosives chemicals such as Pentaerythritol Tetranitrate ("PETN") and Cyclotrimethylene Trinitramine ("RDX"), also contributed to the decrease in the Group's gross profit margin as compared to the previous financial year.

Other credits / (Other charges)

Other credits relate to gain on disposal of property, plant and equipment of RMB 35,000, government grants of RMB 1.0 million and reversal of allowance for impairment on trade receivables of approximately RMB 194,000.

Other charges comprise of bad debts written-off of RMB 135,000, foreign exchange adjustment loss of RMB 1.3 million, allowance for impairment on trade and other receivable of RMB 3.9 million.

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

Interest income / Finance costs

Interest income increased by approximately RMB 225,000 mainly due to higher bank deposits during the current financial year. Finance costs increased marginally by approximately RMB 141,000 during the current financial year due to increase in bank loans of approximately RMB 4.0 million.

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

Operating expenses

Distribution costs increased by approximately RMB 6.8 million or 38.7% from FY2010's RMB 17.7 million to FY2011's RMB 24.5 million. This was in line with the increase in revenue as higher transportation expenses were incurred. In addition, port charges also increased due to higher export sales during the period. Transportation expenses incurred for overseas sales are generally higher than for local sales.

Administrative expenses increased by approximately RMB 8.1 million or 26.5% from FY2010's RMB 30.7 million to FY2011's RMB 38.8 million. The increase in administrative expenses was mainly due to the increase in provision for safety expenses, which was in line with the increase in sales revenue. The increment was also due to the commencement of our new production facilities as our subsidiary was required to pay the additional insurance, land use rights tax and property tax during the current financial year.

Income tax expenses

The effective tax rate for FY2011 was 36.5% (FY2010: 19.1%). This is higher than the PRC concessionary tax rate of 25.0% (April 2009 to December 2009: 12.5% ; January 2010 to March 2010: 25.0%) mainly due to the non-deductible expenses and an underprovision of income tax for the previous financial year.

Balance sheet

Property, plant and equipment decreased by approximately RMB 4.6 million, mainly due to the depreciation charge of approximately RMB 16.0 million during the current financial year, 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 0.86 million mainly due to the amortisation charges during the current financial year.

Other assets, non-current relate to the Group's land use rights. Land use rights decreased by approximately RMB 0.96 million due to the amortisation charge during the current financial year.

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 15.8%, 39.5%, 10.3% and 34.4% of our total current assets as at 31 March 2011.

Inventories decreased slightly by approximately RMB 1.2 million or 2.6% from 31 March 2010's RMB 47.8 million to 31 March 2011's RMB 46.5 million. The decrease was mainly due to the sales of finished goods during the current financial year.

Trade and other receivables increased by approximately RMB 17.0 million or 17.2%, mainly due to the increase in sales revenue.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 2.6 million or 9.6% to RMB 30.3 million as at 31 March 2011.

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)

As at 31 March 2011, our current liabilities comprised of income tax payable of RMB 3.1 million, trade and other payables of approximately RMB 102.1 million, other current financial liabilities of approximately RMB 39.5 million and other liabilities of RMB 2.2 million. Non-current liabilities comprised of deferred tax liabilities of RMB 5.4 million and non-current portion of the finance lease obligation of RMB 97,000.

Trade and other payables decreased by approximately RMB 21.1 million mainly due to the payment of a land use right and payment to raw materials suppliers.

As at 31 March 2011, other current financial liabilities comprised of bank loans of RMB 25.0 million, third party loan of RMB 14.4 million and current portion of finance lease obligation of approximately RMB 85,000. Bank loans increased by RMB 4.0 million from RMB 21.0 million as at 31 March 2010 to RMB 25.0 million as at 31 March 2011. During the current financial year ended 31 March 2011, the Group repaid approximately RMB 8.2 million of third party loan.

Other liabilities of RMB 2.2 million relate to the Group's advances from customers.

Deferred tax liabilities of RMB 5.4 million relate mainly 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 85,000 and RMB 97,000 respectively relate to a 7-year finance lease secured against a motor vehicle with net book value of approximately RMB 297,000 as at 31 March 2011, which bears effective interest rate of 6.61% per annum.

Cash flow

For the financial year ended 31 March 2011, the Group has net cash generated from operating activities of approximately RMB 17.3 million, net cash used in investing activities and financing activities of approximately RMB 10.9 million and RMB 12.6 million respectively.

The net cash used in investing activities of approximately RMB 10.9 million is mainly due to the purchase of miscellaneous property, plant and equipment of approximately RMB 12.1 million.

The net cash used in financing activities of approximately RMB 12.6 million is mainly due to the payment of dividends of approximately RMB 5.9 million, repayment of third party loan of approximately RMB 8.2 million and payment of interest expenses of approximately RMB 2.5 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.**

Rising raw materials prices

The Group has encountered a rise in raw materials prices (such as PETN and RDX) over the current financial year reported on, and it is expected that this trend may continue during the upcoming financial year.

To mitigate the impact of rising raw materials costs and improve operating margins, the management will continue to monitor the raw materials prices closely and implement new cost containment strategies in our operating activities.

Proposed acquisition of lands and buildings

On 27 April 2011, the Group announced that it has entered into a property transfer agreement with a related party, Shandong Yinguang Chemical Industry Co., Ltd (“Yinguang Chemical”) for the acquisition of lands and buildings (the “Property”) for a total purchase price of RMB 108.7 million.

The consideration for the Property shall be funded with bank loans of RMB 70 million and the rest will be satisfied by means of cash payment using internally generated funds.

The Group’s subsidiary, Shandong Yinguang Technology Co., Ltd (“Yinguang Technology”) has been leasing the Property since 2004 with the current annual rental fee amounting to RMB 8 million.

The proposed acquisition of the Property would allow the Group to secure a permanent base for its operations in Fei County, Linyi City, Shandong. This is essential for the Group’s future expansion and growth as the Property has the adequate land space to accommodate the requirements of the Group’s specialised manufacturing operations.

In addition, the proposed acquisition of the Property safeguards the Group from unexpected cost and risk of relocation.

The Group has appointed a qualified valuer in the PRC to undertake an independent valuation of the Property.

For more information, please refer to our announcement on 27 April 2011.

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?

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)

- (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 four 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 and (d) ammonium nitrate.

FY2011 RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
Revenue	95,887	101,648	73,749	144,430	454	416,168
Recurring EBITDA ¹	18,603	42,677	34,629	19,728	100	115,737
Depreciation	(2,042)	(320)	(7,168)	(5,431)	(1,030)	(15,991)
Amortisation	(382)	-	(233)	(1,208)	-	(1,823)
ORBIT ²	16,179	42,357	27,228	13,089	(930)	97,923
Interest income					453	453
Finance costs					(2,504)	(2,504)
Unallocated corporate expenses					(40,200)	(40,200)
Profit before income tax						55,672
Income tax expenses						(20,348)
Profit attributable to shareholders						35,324

FY2011 RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
Total assets for reporting segments	49,503	3,911	104,146	130,301	-	287,861
Unallocated:						
Property, plant & equipment					24,482	24,482
Deferred tax assets					4,110	4,110
Inventories					21,492	21,492
Trade and other receivables					90,055	90,055
Other assets					27,140	27,140
Cash and cash equivalents					84,136	84,136
	49,503	3,911	104,146	130,301	251,415	539,276
Total liabilities for reporting segments	1,321	476	1,143	81,953	-	84,893
Unallocated:						
Deferred tax liabilities					700	700
Income tax payable					1,654	1,654
Trade and other payables					63,485	63,485
Other liabilities					1,528	1,528
Other financial liabilities					182	182
	1,321	476	1,143	81,953	67,549	152,442

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)**

FY2010 RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
Revenue	83,756	97,259	65,437	75,321	950	322,723
Recurring EBITDA ¹	18,498	49,117	32,225	6,988	746	107,574
Depreciation	(1,164)	(117)	(4,933)	(3,978)	(4,032)	(14,224)
Amortisation	(432)	–	(31)	(1,621)	–	(2,084)
ORBIT ²	16,902	49,000	27,261	1,389	(3,286)	91,266
Interest income					228	228
Finance costs					(2,363)	(2,363)
Unallocated corporate expenses					(30,761)	(30,761)
Profit before income tax						58,370
Income tax expenses						(11,157)
Profit attributable to shareholders						47,213

FY2010 RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
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

¹ EBITDA refers to earnings from operations before depreciation, amortization, interests and income taxes

² 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)**

Other information:	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
Other non-cash expenses other than depreciation/amortisation						
2011	–	–	–	–	3,840	3,840
2010	–	–	–	–	4,854	4,854
Expenditures for non-current assets:						
2011	242	60	2,846	4,385	4,529	12,062
2010	3,590	188	16,245	10,845	23,505	54,373

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.

	FY2011 RMB'000	FY2010 RMB'000
<u>Revenue</u>		
Within PRC	348,649	274,699
<u>Outside PRC</u>		
Sales through export distributors *	14,499	3,290
Australia	39,279	35,556
Others	13,741	9,178
Subtotal for all foreign countries	<u>67,519</u>	<u>48,024</u>
Total continuing operations	<u>416,168</u>	<u>322,723</u>

* Others include Kyrgyzstan, Mongolia, Indonesia, etc

<u>Non-current assets</u>		
Within PRC (exclude deferred tax assets)	240,818	247,161
Singapore	300	343
	<u>241,118</u>	<u>247,504</u>

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 our four main business segments, namely explosive devices, industrial fuse and initiating devices, industrial detonators and ammonium nitrate, increased by approximately 14.5%, 4.5%, 12.7% and 91.8% respectively. Sales of ammonium nitrate increased significantly which was mainly attributed to our marketing activities which enhanced our brand recognition by our existing and potential customers. During the same period, the Group's three product segments achieved steady growth as a result of an increase in mining and infrastructure activities in tandem with improved economic conditions. Notably, sales of explosives devices increased 14.5% due to higher export sales of boosters to Australia, Indonesia and Kyrgyzstan.

Geographical segments

PRC sales increased by approximately RMB 74.0 million or 26.9% and overseas sales increased by approximately RMB 19.5 million or 40.6%. PRC and export revenue represents approximately 83.8% (FY2010: 85.2%) and 16.2% (FY2010: 14.8%) of the total revenue for FY2011. The increase in proportion of overseas sales over local PRC sales is mainly due to the increase in sales of boosters to Australia, Indonesia and Kyrgyzstan.

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

15. **A breakdown of sales.**

	Group		Increase/
	FY2011	FY2010	(Decrease)
	RMB'000	RMB'000	%
Revenue reported for first half year	194,192	168,043	15.6
Operating profit after tax reported for first half	21,368	30,442	(29.8)
Revenue reported for second half year	221,976	154,680	43.5
Operating profit after tax reported for second half	13,956	16,771	(16.8)

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

	FY2011	FY2010
	RMB'000	RMB'000
Ordinary	5,887	-
Preference	-	-
Total	5,887	-

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)	
		FY2011	FY2010	FY2011	FY2010
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	8,000	-	-
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	3,249	2,885	-	-
Feixian Yinguang Magnesium Co., Ltd	Purchase of magnesium materials	-	701	-	-
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	1,290	1,241	-	-
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	1,877	1,682	-	-
Shandong Yinguang Chemical Group Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	-	-	7,254	27,108
Dyno Nobel Australia	Sales of commercial explosives	4,204	-	-	-

Footnote:

(1) The relevant general mandate was updated and approved at the Annual General Meeting held on 22 July 2010.

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.

	FY2011	FY2010
Nature	RMB’000	RMB’000
Sales of commercial explosives to Aoxin	-	-
Sales of commercial explosives to our overseas customers through Aoxin	-	29,695

With effect from December 2011, Yinsheng Investments had divested all its interest in Aoxin and Mr Sun Bowen is no longer a director of Aoxin. Thus, Aoxin will cease to be a related party with immediate effect.

BY ORDER OF THE BOARD
SUN BOWEN
MANAGING DIRECTOR
26 MAY 2011