



## Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2013 (“FY2013”)

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

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

	Group		Increase/ (Decrease) %
	FY2013 RMB'000	FY2012 RMB'000	
<b>Revenue</b>	489,081	516,128	(5.2)
Cost of sales	(355,627)	(356,222)	(0.2)
<b>Gross profit</b>	133,454	159,906	(16.5)
<b><u>Other Items of Income</u></b>			
Interest income	884	704	25.6
Other credits – Note (i)	2,211	6,878	(67.9)
<b><u>Other Items of Expense</u></b>			
Distribution costs	(30,192)	(31,728)	(4.8)
Administrative expenses	(43,677)	(45,946)	(4.9)
Finance costs	(3,073)	(2,925)	5.1
Other charges– Note (ii)	(3,455)	(4,482)	(22.9)
<b>Profit before income tax</b>	56,152	82,407	(31.9)
Income tax expense	(24,644)	(22,392)	10.1
<b>Profit attributable to shareholders</b>	31,508	60,015	(47.5)
<b>Note (i) – Other Credits</b>			
Gain on disposal of property, plant and equipment	71	3,792	(98.1)
Gain on disposal of land use rights	128	-	N.M.
Government grants	1,988	2,912	(31.7)
Allowance for impairment on trade receivables reversal	24	174	(86.2)
	2,211	6,878	(67.9)
<b>Note (ii) – Other Charges</b>			
Bad debts written-off	(8)	(5)	60.0
Foreign exchange adjustment loss	(1,121)	(278)	303.2
Property, plant and equipment written-off	(1,087)	-	N.M.
Allowance for impairment on inventories - loss	(208)	(311)	(33.1)
Allowance for impairment on trade and other receivables - loss	(1,031)	(3,888)	(73.5)
	(3,455)	(4,482)	

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

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

	<b>Group</b>		<b>Increase/ (Decrease) %</b>
	<b>FY2013 RMB'000</b>	<b>FY2012 RMB'000</b>	
Allowance for impairment on trade and other receivables – loss	(1,031)	(3,888)	(73.5)
Allowance for impairment on trade receivables reversal	24	174	(86.2)
Allowance for impairment of inventories - loss	(208)	(311)	(33.1)
Amortisation expenses	(3,515)	(3,002)	17.1
Bad debts written-off	(8)	(5)	60.0
Depreciation expenses	(20,160)	(17,398)	15.9
Foreign exchange adjustment loss	(1,121)	(278)	303.2
Interest expense	(3,073)	(2,925)	5.1
Interest income from bank deposits	884	704	25.6
Property, plant and equipment written-off	(1,087)	-	N.M.
Gain on disposal of property, plant and equipment	71	3,792	(98.1)
Gain on disposal of land use rights	128	-	N.M.

**Statement of Comprehensive Income**

	<b>Group</b>		<b>Increase/ (Decrease) %</b>
	<b>FY2013 RMB'000</b>	<b>FY2012 RMB'000</b>	
<b>Profit attributable to shareholders</b>	31,508	60,015	(47.5)
Foreign currency translation difference	306	(258)	(218.6)
<b>Total comprehensive income for the period</b>	<u>31,814</u>	<u>59,757</u>	(46.8)

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

	Group		Company	
	31 March 2013 RMB'000	31 March 2012 RMB'000	31 March 2013 RMB'000	31 March 2012 RMB'000
<b>ASSETS</b>				
<b>Non-current assets :</b>				
Property, plant and equipment	284,615	234,404	191	248
Intangible assets	4,815	5,678	-	-
Other assets, non-current	92,635	97,754	-	-
Deferred tax assets	4,428	4,495	-	-
Investment in subsidiary	-	-	114,022	113,298
<b>Total non-current assets</b>	<b>386,493</b>	<b>342,331</b>	<b>114,213</b>	<b>113,546</b>
<b>Current assets :</b>				
Inventories	63,080	62,404	-	-
Trade and other receivables (Note 1)	116,243	124,268	36,428	41,828
Other assets, current	15,080	43,965	66	68
Cash and cash equivalents	120,011	103,143	487	217
<b>Total current assets</b>	<b>314,414</b>	<b>333,780</b>	<b>36,981</b>	<b>42,113</b>
<b>Total assets</b>	<b>700,907</b>	<b>676,111</b>	<b>151,194</b>	<b>155,659</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves :</b>				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	263,139	279,925	27,299	31,635
Other reserves	80,401	43,632	2,271	1,241
<b>Total equity</b>	<b>460,389</b>	<b>440,406</b>	<b>146,419</b>	<b>149,725</b>
<b>Non-Current liabilities :</b>				
Deferred tax liabilities	5,144	5,306	-	-
Other financial liabilities	-	7	-	7
<b>Total non-current liabilities</b>	<b>5,144</b>	<b>5,313</b>	<b>-</b>	<b>7</b>
<b>Current liabilities :</b>				
Income tax payable	3,316	981	-	-
Trade and other payables (Note 2)	133,821	183,078	4,768	5,840
Other financial liabilities, current	96,288	43,674	7	87
Other liabilities	1,949	2,659	-	-
<b>Total current liabilities</b>	<b>235,374</b>	<b>230,392</b>	<b>4,775</b>	<b>5,927</b>
<b>Total liabilities</b>	<b>240,518</b>	<b>235,705</b>	<b>4,775</b>	<b>5,934</b>
<b>Total liabilities and equity</b>	<b>700,907</b>	<b>676,111</b>	<b>151,194</b>	<b>155,659</b>
<b>Note 1</b>				
Trade receivables	107,242	119,508	-	-
Amount receivable from subsidiary	-	-	36,428	41,828
Tax recoverable	4,757	2,911	-	-
Other receivables	4,244	1,849	-	-
Trade and other receivables	116,243	124,268	36,428	41,828
<b>Note 2</b>				
Trade payables and accruals	106,316	67,605	4,596	5,692
Other payables	27,505	115,473	172	148
Trade and other payables	133,821	183,078	4,768	5,840

**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 2013</b>		<b>31 March 2012</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
68,007	28,281	14,087	29,587

**Amount repayable after one year**

**(RMB'000)**

<b>31 March 2013</b>		<b>31 March 2012</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
-	-	7	-

**Details of any collateral**

As at 31 March 2013, the Group has secured borrowings comprising a 7-year finance lease of approximately RMB 7,000 for the purchase of a motor vehicle and aggregate secured short-term loans from a financial institution of RMB 68.0 million. Unsecured borrowings relates to a loan from a third party of RMB 8.3 million and a short-term loan from a financial institution of RMB 20.0 million.

The finance lease is secured against the motor vehicle with net book value of approximately RMB 174,000, and bears effective interest rate of 6.61% per annum. The finance lease has been fully redeemed during April 2013.

Secured short-term bank loans of RMB 68.0 million are secured using Shandong Yinguang Technology Co., Ltd ("Yinguang Technology") land and buildings with net book value of approximately RMB 96.2 million. The secured short-term bank loans' interest rate ranged from 5.88% to 6.6255% per annum.

Unsecured borrowing of RMB 8.3 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd. Unsecured short-term bank loan of RMB 20.0 million is guaranteed by a corporate guarantee from Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), and has an interest rate of 7.2% per annum.

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

	Group	
	FY2013 RMB'000	FY2012 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	56,152	82,407
Adjustments for :		
Allowance for impairment on trade and other receivables - loss	1,031	3,888
Allowance for impairment on trade and other receivables – reversal	(24)	(174)
Allowance for impairment on inventories - loss	208	311
Amortisation expenses	3,515	3,002
Bad debts written-off	8	5
Depreciation expense	20,160	17,398
Gain on disposal of property, plant and equipment	(71)	(3,792)
Gain on disposal of land use rights	(128)	-
Property, plant and equipment written-off	1,087	-
Interest expenses	3,073	2,925
Interest income	(884)	(704)
Net effect of exchange rate changes in translation of financial statements of parent	304	(249)
Operating cash flows before changes in working capital	84,431	105,017
Inventories	(884)	(16,181)
Trade and other receivables	11,841	(8,917)
Other assets	28,885	(13,663)
Trade and other payables	37,996	(6,616)
Other liabilities	(710)	420
Net cash flows from operations before interest and tax	161,559	60,060
Income tax paid	(24,250)	(27,849)
<b>Net cash from operating activities</b>	<b>137,309</b>	<b>32,211</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	941	6,482
Purchase of property, plant and equipment (Note A)	(112,986)	(32,266)
Purchase of land use rights (Note A)	(46,983)	-
Interest received	884	704
<b>Net cash used in investing activities</b>	<b>(158,144)</b>	<b>(25,080)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(11,831)	(6,185)
Repayment of finance lease obligation	(87)	(88)
Repayment of borrowings	(45,306)	(29,843)
Proceeds from bank borrowings	98,000	34,000
Interest paid	(3,073)	(2,925)
<b>Net cash from / (used in) financing activities</b>	<b>37,703</b>	<b>(5,041)</b>
Net increase in cash	16,868	2,090
Cash at beginning of the year	103,143	101,053
<b>Cash at end of the year</b>	<b>120,011</b>	<b>103,143</b>

Note A:

On 28 July 2011, the Group's shareholders approved the acquisition of land and properties of approximately RMB 108.7 million from a related party, of which RMB 62.1 million relates to properties and RMB 46.6 million relates to land use rights.

During the financial year ended 31 March 2013, the Group has made a payment of approximately RMB 87.3 million for the land and properties. The remaining aggregate balance of RMB 2.0 million was unpaid and recorded under Other payables as at 31 March 2013.

**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	Capital reserves <sup>(1)</sup>	Foreign currency translation reserves	Retained earnings	Total
<b>Group (RMB'000)</b>						
Balance at 1 April 2012	116,849	42,546	-	1,086	279,925	440,406
Capitalisation of Subsidiary's Retained Earnings and Statutory Reserves as Share Capital of Subsidiary	-	(13,000)	44,000	-	(31,000)	-
Appropriation for the year	-	5,463	-	-	(5,463)	-
Dividend paid	-	-	-	-	(11,831)	(11,831)
Total comprehensive income for the year	-	-	-	306	31,508	31,814
Balance at 31 March 2013	116,849	35,009	44,000	1,392	263,139	460,389
Balance at 1 April 2011	116,849	37,567	-	1,344	231,074	386,834
Appropriation for the year	-	4,979	-	-	(4,979)	-
Dividend paid	-	-	-	-	(6,185)	(6,185)
Total comprehensive income for the year	-	-	-	(258)	60,015	59,757
Balance at 31 March 2012	116,849	42,546	-	1,086	279,925	440,406

(1) During the current financial year, Yinguang Technology capitalised RMB 13.0 million and RMB 31.0 million from Statutory Reserves and Retained Earnings, respectively as its Share Capital.

	Issued capital	Foreign currency translation reserves	Retained earnings	Total
<b>Company (RMB'000)</b>				
Balance at 1 April 2012	116,849	1,241	31,635	149,725
Dividend paid	-	-	(11,831)	(11,831)
Total comprehensive income for the year	-	1,030	7,495	8,525
Balance at 31 March 2013	116,849	2,271	27,299	146,419
Balance at 1 April 2011	116,849	5,377	20,451	142,677
Dividend paid	-	-	(6,185)	(6,185)
Total comprehensive income for the year	-	(4,136)	17,369	13,233
Balance at 31 March 2012	116,849	1,241	31,635	149,725

**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 2013	31 March 2012
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.**

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

Group	
FY2013	FY2012
RMB cents	RMB cents
13.46	25.65
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 2013	31 March 2012	31 March 2013	31 March 2012
	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	196.75	188.21	62.57	63.99
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-mentioned product types and geographical segments during the financial year ended 31 March 2012 ("FY2012") and financial year ended 31 March 2013 ("FY2013") are as follows:

Product Types	Group				% change
	FY2013		FY2012		
	RMB'000	%	RMB'000	%	
Explosive devices	165,541	33.9	131,610	25.5	25.8
Industrial fuse and initiating explosive devices	105,576	21.6	95,392	18.5	10.7
Industrial detonators	85,802	17.5	87,406	16.9	(1.8)
Ammonium Nitrate	131,102	26.8	201,293	39.0	(34.9)
Others <sup>(1)</sup>	1,060	0.2	427	0.1	148.2
	<b>489,081</b>	<b>100.0</b>	<b>516,128</b>	<b>100.0</b>	<b>(5.2)</b>

  

Geographical Segments	Group				% change
	FY2013		FY2012		
	RMB'000	%	RMB'000	%	
Within PRC	352,095	72.0	417,596	80.9	(15.7)
<u>Outside PRC</u>					
Sales through export distributors <sup>(2)</sup>	24,415	5.0	13,943	2.7	75.1
Australia	98,007	20.0	67,124	13.0	46.0
Others	14,564	3.0	17,465	3.4	(16.6)
	<b>136,986</b>	<b>28.0</b>	<b>98,532</b>	<b>19.1</b>	<b>39.0</b>
	<b>489,081</b>	<b>100.0</b>	<b>516,128</b>	<b>100.0</b>	<b>(5.2)</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

Revenue for FY2013 decreased by approximately RMB 27.0 million or 5.2% to RMB 489.1 million from RMB 516.1 million in FY2012. The decrease in revenue was mainly due to the drop in sales of ammonium nitrate by approximately RMB 70.2 million, partially offset by the increased in sales of explosive devices and industrial fuse and initiating explosive devices.

#### a) Sales within PRC

Sales within PRC decreased by approximately RMB 65.5 million or 15.7% mainly due to the decrease in sales of ammonium nitrate by RMB 70.2 million or 34.9%.

The Group's explosive-grade ammonium nitrate product is sold to explosives manufacturers which produced commercial explosives mainly for mining and infrastructure development activities.

Due to the slower growth in China's economy, mining and infrastructure development activities were affected, thus it has led to the weakening market conditions for explosive-grade ammonium nitrate.

Coupled together with softening market-driven selling prices, our sales of ammonium nitrate declined significantly. Market-driven selling prices and sales volume of ammonium nitrate decreased by approximately 24.3% and 18.8%, respectively during FY2013 as compared to FY2012.

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 through export distributors increased by approximately RMB 10.5 million or 75.1% from RMB 13.9 million during FY2012 to RMB 24.4 million during FY2013.

The increase is mainly due to export distributor's sales to South Africa.

c) Sales to Australia

Sales to Australia increased by approximately RMB 30.9 million or 46.0% mainly due to the increase in sales to Orica Australia and Beston Australia during the current financial year.

Sales to Orica Australia increased by approximately RMB 21.6 million or 59.3% to RMB 58.2 million in FY2013 and sales to Beston Australia increased by approximately RMB 12.5 million or 167.4% to RMB 20.0 million in FY2013.

d) Sales to other countries

Sales to other countries decreased marginally by approximately RMB 2.9 million or 16.6%. The decrease was mainly due to a one-off sales to Orica Canada of approximately RMB 3.7 million during FY2012.

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 deteriorated by approximately 3.7 percentage points to 27.3% in FY2013, as compared to 31.0% in FY2012. The lower gross profit margin was mainly attributed to the lower market-driven selling prices for ammonium nitrate and the rising raw materials costs (such as PETN and RDX) during the current financial year under review.

The market-driven selling prices of ammonium nitrate decreased by approximately 24.3% during FY2013, as compared to FY2012.

**Other credits**

Other credits relate to the gain on disposal of property, plant and equipment and land use rights of approximately RMB 71,000 and RMB 128,000, respectively, government grants of approximately RMB 2.0 million and reversal of allowance for impairment on trade receivables of approximately RMB 24,000.

Gain on disposal of property, plant and equipment of RMB 71,000 is mainly due to the disposal of certain plant and equipments that were not in use. Gain on disposal of land use rights relates to a piece of land belonging to our subsidiary, Hebei Yinguang which was used as dormitory for its workers. The said land had been repossessed by Hebei Province, Linxi County's government for re-development into a high-rise residential property. The dormitory has since been demolished and all disposed assets had been accounted for during the current financial year. All affected workers have found their own accommodation since then. RMB 2.0 million of government grants are mainly for our PRC subsidiaries from their respective local authorities.

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)**

#### **Other charges**

Other charges comprise of bad debts written-off of RMB 8,000, foreign exchange adjustment loss of approximately RMB 1.1 million, property, plant and equipment written-off of approximately RMB 1.1 million, allowance for impairment on inventories of approximately RMB 208,000 and allowance for impairment on trade and other receivables of RMB 1.0 million.

The write-off of property, plant and equipment was made up of more than 100 items, which was the result of our fixed assets review by the management team. These items were found to be obsolete for our specialised manufacturing operations and thus written-off during the current financial year.

Foreign exchange adjustment loss arose from foreign exchange rate changes between Renminbi (RMB), United States Dollars (USD) and Singapore Dollars (SGD).

#### **Interest income / (Finance costs)**

Interest income increased by approximately RMB 180,000 mainly due to higher average bank deposits during the current financial year. Finance costs increased marginally by approximately RMB 148,000 during the current financial year due to the increase in bank loans of approximately RMB 54.0 million towards the end of the current financial year.

#### **Operating expenses**

In line with the decrease in revenue, distribution costs decreased by approximately RMB 1.5 million or 4.8% to RMB 30.2 million in FY2013 from RMB 31.7 million in FY2012.

Administrative expenses also decreased by approximately RMB 2.3 million or 4.9% to RMB 43.7 million in FY2013 from RMB 45.9 million in FY2012.

#### **Income tax expenses**

The effective tax rate for FY2013 was 43.9% (FY2012: 27.2%). This is significantly higher than the PRC concessionary tax rate of 25.0% mainly due to the underprovision of income tax for the previous financial year of approximately RMB 5.6 million and other non-deductible expenses for the current financial year.

#### **Statement of Financial Position**

Property, plant and equipment increased by approximately RMB 50.2 million, mainly due to the increase in construction-in-progress for our boosters upgrading project, detonating cords and ammonium nitrate expansion plans.

Intangible assets comprise 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, performed in accordance with the Singapore Financial Reporting Standards. Intangible assets decreased by approximately RMB 0.9 million mainly due to the amortisation charges during the current period under review.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 5.1 million mainly due to the disposal of land use rights of net book value of approximately RMB 2.9 million, and the amortisation charges during the current year under review of approximately RMB 2.7 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)**

#### **Statement of Financial Position (cont'd)**

Deferred tax assets relate mainly to the deferred tax differences for the allowance for impairment on trade and other receivables and inventories and provision for safety expenses.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 20.0%, 37.0%, 4.8% and 38.2% respectively of our total current assets as at 31 March 2013.

Inventories increased marginally by approximately RMB 0.7 million or 1.1% to RMB 63.1 million as at 31 March 2013, as compared to RMB 62.4 million as at 31 March 2012.

Trade receivables decreased by approximately RMB 12.3 million or 10.3%, mainly due to the lower sales revenue and improved collectability during the financial year under review. Other receivables increased by RMB 2.4 million or 129.5% mainly due to an amount of approximately RMB 3.0 million receivables from Linxi County, Hebei Province for the sale of land use rights.

Other assets, current comprising the Group's prepayments, decreased by approximately RMB 28.9 million or 65.7% to RMB 15.1 million as at 31 March 2013. The decrease was mainly due to the current financial year decrease in prepayment for the bulk purchase of raw materials incurred during the last financial year.

As at 31 March 2013, our current liabilities comprised of income tax payable of RMB 3.3 million, trade and other payables of approximately RMB 133.8 million, other current financial liabilities of approximately RMB 96.3 million and other liabilities of RMB 1.9 million. Non-current liabilities comprised of deferred tax liabilities of RMB 5.1 million.

Trade payables and accruals increased by approximately RMB 38.7 million mainly due to staggered payment to trade creditors. Other payables decreased by approximately RMB 88.0 million mainly due to the payment of RMB 87.3 million to a related party for the acquisition of land and buildings. Out of the RMB 87.3 million payment, RMB 19.3 million was paid out from internally generated funds, while the remaining RMB 68.0 million was paid out of bank loan secured by the said land and buildings.

As at 31 March 2013, other current financial liabilities comprised of bank loans of RMB 88.0 million, third party loan of RMB 8.3 million and current portion of finance lease obligation of approximately RMB 7,000. During the current financial year, the Group obtained bank loans of RMB 68.0 million to repay a related party for the acquisition of land and buildings.

The current portions of the finance lease obligation of RMB 7,000 relates to a 7-year finance lease secured against a motor vehicle with net book value of approximately RMB 174,000 as at 31 March 2013, which bears effective interest rate of 6.61% per annum.

Other liabilities of RMB 1.9 million relate to the Group's advances from customers.

Deferred tax liabilities of RMB 5.1 million relate mainly to the deferred tax difference upon the finalisation of the PPA exercise in relation to the acquisition of Hebei Yinguang in 2008 and the deferred tax liabilities for the withholding tax on dividend payable by our China subsidiary.

#### **Cash flow**

For the financial year ended 31 March 2013, the Group recorded net cash generated from operating activities of approximately RMB 137.3 million, net cash used in investing activities of approximately 158.1 million and net cash from financing activities of approximately RMB 37.7 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)**

**Cash flow (Cont'd)**

The net cash generated from operating activities is mainly due to an improved management in trade and other receivables collection from customers, decrease in prepayment for bulk purchase of raw materials and staggered payment to creditors.

The net cash used in investing activities of approximately RMB 158.1 million is mainly due to the partial payment of RMB 87.3 million for the purchase of property, plant and equipment and land use rights subsequent to the shareholders' approval obtained during the EGM held on 28 July 2011 and also the acquisition of property, plant and equipment for boosters, detonating cords and ammonium nitrate expansion/upgrading projects.

The net cash from financing activities of approximately RMB 37.7 million is mainly due to the proceeds from bank borrowings of RMB 98.0 million, partially offset by the payment of dividends of approximately RMB 11.8 million, repayment of borrowings of approximately RMB 45.3 million and payment of interest expenses of approximately RMB 3.1 million.

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

Other than the Profit Warning issued on 18 January 2013, no other forecast or prospect statement has been 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.**

**Update on the additional detonating cords production facilities**

Following our earlier announcements on the additional detonating cords production facilities, the management is pleased to announce that the new detonating cords production facilities have started trial operation in April 2013. However, we are awaiting for the relevant authorities to perform their respective inspection.

The new production facilities will increase our detonating cords annual production capacity from 50 million meters to 80 million meters.

**Update on the upgrading of boosters facilities**

Following our earlier announcement on the upgrading of our existing booster production facilities, the first upgraded production line is currently under testing and trial run. Due to some technological and design modification, the completion date for the entire upgrade of all the boosters facilities will be delayed to 31 August 2015 instead of the originally announced 31 March 2014.

The main purpose of this upgrading works is to significantly enhance the automation process, which will translate to an improvement in product quality, reduction in number of employees working on-site and further augment the safety standards of the facilities.

Total capital expenditure for the upgrading works is estimated at approximately RMB 39.5 million and it will be funded using our internally generated funds.

**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. (Cont'd)**

Update on the new ammonium nitrate production facilities

Following our earlier announcement on the new ammonium nitrate production facilities, the construction of new facilities is well underway.

Due to the slowdown in China's economy and weakening market conditions of ammonium nitrate, the management will continue to monitor the situation and will update shareholders of any material impact to the Group accordingly.

Update on acquisition of land and buildings (the "Property")

During the Extraordinary General Meeting ("EGM") held on 28 July 2011, the Shareholders of the Company approved the acquisition of the Property at Fei County, Linyi City, Shandong Province, PRC where the Group's manufacturing facilities and warehouses (for the production of the Group's initiation systems products) are located, from a related party (the "Vendor").

During FY2013, the Group had obtained bank loans secured by the Property amounting to RMB 68.0 million, and the full amount of RMB 68.0 million was repaid to the Vendor during FY2013.

As at 31 March 2013, the Group has made a total payment of RMB 106.7 million to the Vendor in accordance with the Agreement.

The Group is in the process of obtaining the remaining bank loan of RMB 2.0 million to be secured by the Property and shall pay to the Vendor the said RMB 2.0 million as and when the bank loan is received.

For further information, please refer to the Circular to Shareholders dated 12 July 2011.

Update on "cease production" order

According to our announcement on 23 May 2013, the Group's commercial explosives manufacturing facilities, Yinguang Technology, in Shandong Province will temporarily suspend production following the Chinese authorities' issuance of a "cease production" order to all commercial explosives production in Shandong province with effect from 20 May 2013, after a recent explosion accident at an unrelated commercial explosives manufacturing plant in Shandong Province. The "cease production" order will continue until Yinguang Technology received approval to resume production from the Chinese authorities.

As of the date of this announcement, we have yet to receive any notice from the Chinese authorities to resume production. We will update the shareholders once we received any further directive from the relevant Chinese authorities.

Update on raw materials price trend

As mentioned in our previous announcements, the Group has encountered a rise in raw materials prices (such as PETN and RDX) over the last few financial years, and it is expected that this trend may continue in the coming financial year.

Together with other industry participants, we are currently in discussion with MIIT with regards to transferring the increase of raw materials cost via higher selling prices of our products. In the event that the increased raw material costs cannot be transferred via higher selling prices, it may likely have a significant impact of our financial performance in FY2014.

To mitigate the impact of rising raw materials costs, the management will also continue to closely monitor the prices of raw materials and enhance the cost containment and productivity initiatives in our operating activities.

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. (Cont'd)

Moderate growth of China's economy

China's economy has experienced moderate growth over the past few quarters and the Chinese government has initiated various stimulus projects to boost the economy. While China is the world's biggest user and producer of coal and the country relies on coal for about 70% of its energy needs, the slowdown of China's economy may affect coal mining activities. A significant portion of our products sales is largely dependent on such activities, hence even though energy is consumed on a recurring basis, a dip in domestic mining activities may affect our financial performance.

The management will continue to closely monitor the situation and update shareholders of any material impact to the Group accordingly.

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\$0.007 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\$0.010 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.

13. Interested Person Transaction

		Aggregate value of all interested person transaction (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		FY2013	FY2012	FY2013	FY2012
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	–	2,000	–	–
Shandong Yinguang Chemical Industry Co., Ltd	Acquisition of land and property	–	108,698	–	–
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	6,027	4,206	–	–
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	2,299	2,307	–	–
Shandong Yinguang Chemical Group Co., Ltd <sup>(1)</sup>	Sales of ammonium nitrate	3,606	–	1,712	5,359
Dyno Nobel <sup>(2)</sup>	Sales of commercial explosives	–	14,698	29,420	9,373

Footnotes:

<sup>(1)</sup> The relevant general mandate was updated and approved at the Annual General Meeting held on 28 July 2011. However, it was not updated during the Annual General Meeting held on 27 July 2012 after considering the materiality of the amount transacted. As such, transactions after 27 July 2012 will not be considered as conducted under shareholders mandate pursuant to Rule 920.

<sup>(2)</sup> The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011 and was updated and approved at the Annual General Meeting held on 27 July 2012.

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

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

**Business segments**

The Group has 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.

**Profit or Loss from Continuing Operations and Reconciliations**

<b>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>
<b>FY2013</b>						
Revenue by segment	165,541	105,576	85,802	131,102	1,060	489,081
Recurring EBITDA <sup>1</sup>	45,003	44,888	35,200	4,355	833	130,279
Depreciation	(2,522)	(1,352)	(6,946)	(5,449)	(3,891)	(20,160)
Amortisation	(297)	–	(233)	(1,152)	(1,833)	(3,515)
ORBIT <sup>2</sup>	42,184	43,536	28,021	(2,246)	(4,891)	106,604
Interest income					884	884
Finance costs					(3,073)	(3,073)
Unallocated corporate expenses					(48,263)	(48,263)
Profit before income tax from continuing operations						56,152
Income tax expenses						(24,644)
Profit from continuing operations						31,508

<b>FY2012</b>						
Revenue by segment	131,610	95,392	87,406	201,293	427	516,128
Recurring EBITDA <sup>1</sup>	34,567	41,598	39,164	39,944	(385)	154,888
Depreciation	(1,835)	(607)	(6,257)	(5,356)	(3,343)	(17,398)
Amortisation	(382)	–	(233)	(1,208)	(1,179)	(3,002)
ORBIT <sup>2</sup>	32,350	40,991	32,674	33,380	(4,907)	134,488
Interest income					704	704
Finance costs					(2,925)	(2,925)
Unallocated corporate expenses					(49,860)	(49,860)
Profit before income tax from continuing operations						82,407
Income tax expenses						(22,392)
Profit from continuing operations						60,015

<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

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

**Assets and Reconciliations**

<b>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>
<b>FY2013</b>						
Total assets for reporting segments	63,788	64,245	106,208	164,247	–	398,488
Unallocated:						
Property, plant & equipment					50,436	50,436
Other assets, non-current					43,971	43,971
Deferred tax assets					4,428	4,428
Inventories					28,627	28,627
Trade and other receivables					80,366	80,366
Other assets					7,356	7,356
Cash and cash equivalents					87,235	87,235
<b>Total group assets</b>	<b>63,788</b>	<b>64,245</b>	<b>106,208</b>	<b>164,247</b>	<b>302,419</b>	<b>700,907</b>

<b>FY2012</b>						
Total assets for reporting segments	59,749	32,786	106,129	150,319	–	348,983
Unallocated:						
Property, plant & equipment					51,758	51,758
Other assets, non-current					45,414	45,414
Deferred tax assets					4,495	4,495
Inventories					26,921	26,921
Trade and other receivables					87,993	87,993
Other assets					32,816	32,816
Cash and cash equivalents					77,731	77,731
<b>Total group assets</b>	<b>59,749</b>	<b>32,786</b>	<b>106,129</b>	<b>150,319</b>	<b>327,128</b>	<b>676,111</b>

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

**Liabilities and Reconciliations**

<b>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>
<b>FY2013</b>						
Total liabilities for reporting segments	2,068	708	1,839	93,956	–	98,571
Unallocated:						
Deferred tax liabilities					5,144	5,144
Income tax payable					3,316	3,316
Trade and other payables					63,772	63,772
Other liabilities					1,708	1,708
Other financial liabilities					68,007	68,007
<b>Total group liabilities</b>	<b>2,068</b>	<b>708</b>	<b>1,839</b>	<b>93,956</b>	<b>141,947</b>	<b>240,518</b>

<b>FY2012</b>						
Total liabilities for reporting segments	1,780	641	1,691	76,091	–	80,203
Unallocated:						
Deferred tax liabilities					5,306	5,306
Income tax payable					981	981
Trade and other payables					146,554	146,554
Other liabilities					2,567	2,567
Other financial liabilities					94	94
<b>Total group liabilities</b>	<b>1,780</b>	<b>641</b>	<b>1,691</b>	<b>76,091</b>	<b>155,502</b>	<b>235,705</b>

**Other Material Items and Reconciliations**

<b>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>
Other non-cash expenses other than depreciation/amortisation						
FY2013	–	–	–	–	2,111	2,111
FY2012	–	–	–	–	238	238
Expenditures for non-current assets:						
FY2013	6,533	35,815	1,949	23,698	4,721	72,716
FY2012	9,998	24,502	7,796	1,545	77,678	121,519

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

**Geographical information**

The following table provides an analysis of the group revenue by geographical market irrespective of the origin of the goods and services and non-current assets by geographical market:-

RMB'000	Revenue		Non-current assets	
	FY2013	FY2012	FY2013	FY2012
Within PRC	352,095	417,596	381,874	337,588
<u>Outside PRC</u>				
Sales through export distributors	24,415	13,943	–	–
Australia	98,007	67,124	–	–
Singapore	–	–	191	248
Others *	14,564	17,465	–	–
Subtotal for all foreign countries	136,986	98,532	191	248
Total continuing operations	<b>489,081</b>	<b>516,128</b>	<b>382,065</b>	<b>337,836</b>

\* Others include Kyrgyzstan, Mongolia, Indonesia, Canada

Revenue are attributed to countries on the basis of the customers' location. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

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

**Business segments**

Revenue generated from our two business segments, namely explosive devices and industrial fuse and initiating explosive devices, increased by approximately 25.8% and 10.7% respectively. Revenue generated from industrial detonators decreased marginally by 1.8% and revenue generated from ammonium nitrate decreased by 34.9%.

The increase in sales of explosives devices was mainly due to the increase in sales of boosters by approximately RMB 38.8 million. Particularly, sales of boosters to Australia increased by approximately RMB 30.0 million in FY2013.

The decreased in sales of ammonium nitrate was mainly due to the slow down in China's economy, coupled together with softening of market-driven selling prices.

**Geographical segments**

PRC sales decreased by approximately RMB 65.5 million or 15.7% and overseas sales increased by approximately RMB 38.5 million or 39.0% in FY2013. PRC and export revenue represents approximately 72.0% (FY2012: 80.9%) and 28.0% (FY2012: 19.1%) of the total revenue for FY2013. The increase in proportion of overseas sales over local PRC sales is mainly due to the increase in sales of boosters to Australia and the decreased in sales of ammonium nitrate within PRC.

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

16. A breakdown of sales.

	Group		Increase/
	FY2013	FY2012	(Decrease)
	RMB'000	RMB'000	%
Revenue reported for first half year	292,733	269,651	8.6
Operating profit after tax reported for first half	28,204	31,180	(9.5)
Revenue reported for second half year	196,348	246,477	(20.3)
Operating profit after tax reported for second half	3,304	28,835	(88.5)

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

**Total annual dividend**

	FY2013	FY2012
	RMB'000	RMB'000
Ordinary	11,831	6,185
Preference	-	-
Total	11,831	6,185

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Sun Qiang	40	Son of Sun Bowen, the Managing Director	Current Position: Sales and Marketing Manager. Duties: Responsible for the sales and marketing function of the Group. Year position first held: 2003	No changes in duties and position during the year.

**BY ORDER OF THE BOARD**  
**SUN BOWEN**  
**MANAGING DIRECTOR**  
**29 MAY 2013**