



## Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2008 (“FY2008”)

### 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) %
	FY2008 RMB'000	FY2007 RMB'000	
<b>Revenue</b>	239,447	181,391	32.0
Cost of sales	(135,367)	(109,825)	23.3
<b>Gross profit</b>	104,080	71,566	45.4
<b><u>Other Items of Income</u></b>			
Interest income	264	217	21.7
Other credits – Note (i)	99	4	2375.0
<b><u>Other Items of Expense</u></b>			
Distribution costs	(8,578)	(8,792)	(2.4)
Administrative expenses	(22,955)	(17,441)	31.6
Finance costs	(92)	(29)	217.2
Other charges	(260)	(98)	(165.3)
<b>Profit before income tax</b>	72,558	45,427	59.7
Income tax expense	(12,250)	(3,221)	280.3
<b>Net profit attributable to shareholders</b>	60,308	42,206	42.9
<b>Note (i) – Other Credits</b>			
Foreign exchange adjustment gain	98	4	2350.0
Gain on sale of plant and equipment	1	-	N.M.
	99	4	2375.0

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

Depreciation expenses	(2,716)	(2,210)	22.9
Foreign exchange adjustment gain	98	4	2350.0
Gain on sale of plant and equipment	1	-	N.M.
Interest expense	(92)	(29)	217.2
Interest income from bank deposits	264	217	21.7
Plant and equipment written-off	-	(98)	N.M.
Write-off for stocks obsolescence	(260)	-	N.M.

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 2008 RMB'000	31 March 2007 RMB'000	31 March 2008 RMB'000	31 March 2007 RMB'000
<b>ASSETS</b>				
<b>Non-current assets :</b>				
Property, plant and equipment	46,624	22,205	481	702
Investment in subsidiary	-	-	114,682	115,030
<b>Total non-current assets</b>	<b>46,624</b>	<b>22,205</b>	<b>115,163</b>	<b>115,732</b>
<b>Current assets :</b>				
Inventories	22,835	12,238	-	-
Trade and other receivables (Note 1)	138,838	91,805	4,553	-
Other assets	8,259	1,502	525	84
Cash and cash equivalents	108,928	129,008	528	396
<b>Total current assets</b>	<b>278,860</b>	<b>234,553</b>	<b>5,606</b>	<b>480</b>
<b>Total assets</b>	<b>325,484</b>	<b>256,758</b>	<b>120,769</b>	<b>116,212</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves :</b>				
Share capital	116,849	116,849	116,849	116,849
Retained earnings/(Accumulated losses)	133,529	88,031	(4,000)	(6,818)
Other reserves	24,100	15,582	2,114	2,599
<b>Total equity</b>	<b>274,478</b>	<b>220,462</b>	<b>114,963</b>	<b>112,630</b>
<b>Non-Current liabilities :</b>				
Other financial liabilities	331	403	331	403
<b>Total non-current liabilities</b>	<b>331</b>	<b>403</b>	<b>331</b>	<b>403</b>
<b>Current liabilities :</b>				
Income tax payable	5,455	3,221	-	-
Trade and other payables (Note 2)	43,618	32,483	5,405	3,112
Other liabilities	1,532	122	-	-
Other financial liabilities	70	67	70	67
<b>Total current liabilities</b>	<b>50,675</b>	<b>35,893</b>	<b>5,475</b>	<b>3,179</b>
<b>Total liabilities</b>	<b>51,006</b>	<b>36,296</b>	<b>5,806</b>	<b>3,582</b>
<b>Total liabilities and equity</b>	<b>325,484</b>	<b>256,758</b>	<b>120,769</b>	<b>116,212</b>
<b>Note 1</b>				
Trade receivables	136,318	90,164	-	-
Dividend receivable from subsidiary	-	-	4,553	-
Other receivables	2,520	1,641	-	-
<b>Total trade and other receivables</b>	<b>138,838</b>	<b>91,805</b>	<b>4,553</b>	<b>-</b>
<b>Note 2</b>				
Trade payables and accruals	34,545	28,382	5,234	2,971
Other payables	9,073	4,101	171	141
<b>Total trade and other payables</b>	<b>43,618</b>	<b>32,483</b>	<b>5,405</b>	<b>3,112</b>

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

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

**(RMB'000)**

<b>31 March 2008</b>		<b>31 March 2007</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
70	-	67	-

**Amount repayable after one year**

**(RMB'000)**

<b>31 March 2008</b>		<b>31 March 2007</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
331	-	403	-

**Details of any collateral**

As at 31 March 2008, the Group has secured borrowings comprising a 7 years finance lease for the purchase of a motor vehicle. The finance lease is secured against the motor vehicle with net book value of approximately RMB 466,000, and bears effective interest rate of 6.61% 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.

	<b>Group</b>	
	<b>FY2008 RMB'000</b>	<b>FY2007 RMB'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	72,558	45,427
Adjustments for :		
Depreciation expense	2,716	2,210
Plant and equipment written-off	-	98
Gain on sale of plant and equipment	(1)	-
Interest income	(264)	(217)
Interest expenses	92	29
Operating profit before working capital changes	75,101	47,547
Inventories	(10,597)	(1,285)
Trade and other receivables	(47,033)	(20,966)
Other assets	(6,757)	11,244
Trade and other payables	11,654	(10,105)
Other liabilities	1,410	(529)
Cash generated from operations	23,778	25,906
Income tax paid	(10,016)	-
<b>Net cash from operating activities</b>	<b>13,762</b>	<b>25,906</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of plant and equipment	13	-
Purchase of property, plant and equipment	(27,670)	(18,237)
Interest received	264	217
<b>Net cash used in investing activities</b>	<b>(27,393)</b>	<b>(18,020)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(6,154)	-
Repayment of finance lease obligation	(69)	(114)
Proceeds from issuing shares	-	82,162
Interest paid	(92)	(29)
<b>Net cash (used in) from financing activities</b>	<b>(6,315)</b>	<b>82,019</b>
Net effect of exchange rate changes in consolidating foreign currency financial statements	(134)	638
Net (decrease) / increase in cash	(20,080)	90,543
Cash at beginning of the year	129,008	38,465
<b>Cash at end of the year</b>	<b>108,928</b>	<b>129,008</b>

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

	Issued capital	Statutory reserves	Foreign currency translation reserves	Retained earnings	Total
<b>Group (RMB'000)</b>					
Balance at 1 April 2007	116,849	14,870	712	88,031	220,462
<u>Items of income and expense recognised directly in equity:</u>					
Foreign currency translation difference	-	-	(138)	-	(138)
Net income recognised directly in equity	-	-	(138)	-	(138)
Net profit for the year	-	-	-	60,308	60,308
Appropriation for the year	-	8,656	-	(8,656)	-
Total recognised income and expense for the year	-	8,656	(138)	51,652	60,170
<u>Other movements in equity</u>					
Dividend paid	-	-	-	(6,154)	(6,154)
Balance at 31 March 2008	116,849	23,526	574	133,529	274,478
Balance at 1 April 2006	34,687	10,206	77	50,489	95,459
<u>Items of income and expense recognised directly in equity:</u>					
Foreign currency translation difference	-	-	635	-	635
Net income recognised directly in equity	-	-	635	-	635
Net profit for the year	-	-	-	42,206	42,206
Appropriation for the year	-	4,664	-	(4,664)	-
Total recognised income and expense for the year	-	4,664	635	37,542	42,841
<u>Other movements in equity</u>					
Issue of new shares	94,247	-	-	-	94,247
Share issue expenses	(12,085)	-	-	-	(12,085)
Total other movements in equity	82,162	-	-	-	82,162
Balance at 31 March 2007	116,849	14,870	712	88,031	220,462

(a) (a)

	Issued capital	Foreign currency translation reserves	Retained earnings	Total
<b>Company (RMB'000)</b>				
Balance at 1 April 2007	116,849	2,599	(6,818)	112,630
<u>Items of income and expense recognised directly in equity:</u>				
Foreign currency translation difference	-	(485)	-	(485)
Net income recognised directly in equity	-	(485)	-	(485)
Net profit for the year	-	-	8,972	8,972
Total recognised income and expense for the year	-	(485)	8,972	8,487
<u>Other movements in equity</u>				
Dividend paid	-	-	(6,154)	(6,154)
Balance at 31 March 2008	116,849	2,114	(4,000)	114,963
Balance at 1 April 2006	34,687	77	(645)	34,119
<u>Items of income and expense recognised directly in equity:</u>				
Foreign currency translation difference	-	2,522	-	2,522
Net income recognised directly in equity	-	2,522	-	2,522
Net loss for the year	-	-	(6,173)	(6,173)
Total recognised income and expense for the year	-	2,522	(6,173)	(3,651)
<u>Other movements in equity</u>				
Issue of new shares	94,247	-	-	94,247
Share issue expenses	(12,085)	-	-	(12,085)
Total other movements in equity	82,162	-	-	82,162
Balance at 31 March 2007	116,849	2,599	(6,818)	112,630

(a)

(a) Not available for distribution as cash dividends

**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.**

On 17 April 2006, the Company was admitted to the Official List of the SGX-ST. The Company issued a total of 59 million New Shares of S\$0.32 each. The proceeds of the Initial Public Offering (“IPO”) amounted to approximately S\$18.88 million and total IPO expenses attributed to the IPO amounted to approximately S\$2.4 million or approximately RMB 12.0 million. Net IPO proceeds of approximately S\$16.5 million or approximately RMB 82.2 million was capitalised as the Company’s issued and paid up capital. For more information on the IPO, please refer to our Company’s Prospectus (the “Prospectus”) dated 5 April 2006.

**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.**

	<b>Group</b>	
	<b>31 March 2008</b>	<b>31 March 2007</b>
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 same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 March 2007 have been applied in the preparation for the financial statements for financial year ended 31 March 2008 except that the Group had adopted new/revised Financial Reporting Standards (FRS) which came into effect for the financial year ended 31 March 2008.

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.**

The XBRL format has been used for the first time. Adoption of the new XBRL format has resulted in some reclassifications in the balance sheet and the income statement and related notes but these did not require modifications to financial statements measurements.

The reclassification to the financial statements presentation are summarised below:-

	<b>After reclassification RMB'000</b>	<b>Before reclassification RMB'000</b>	<b>Difference RMB'000</b>
<b><u>Group</u></b>			
<b><u>31 March 2007 Balance sheet</u></b>			
Trade and other receivables	91,805	93,307	(1,502)
Other assets	1,502	-	1,502
Trade and other payables	32,483	32,605	(122)
Other liabilities	122	-	122
<b><u>Company</u></b>			
<b><u>31 March 2007 Balance sheet</u></b>			
Trade and other receivables	-	84	(84)
Other assets	84	-	84
<b><u>Group</u></b>			
<b><u>FY2007 Income Statement</u></b>			
Financial income	-	221	(221)
Interest income	217	-	217
Other credits/(charges)	-	(98)	98
Other credits	4	-	4
Other charges	(98)	-	(98)

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

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

Based on weighted average number of ordinary shares in issue

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

<b>Group</b>	
<b>FY2008</b>	<b>FY2007</b>
<b>RMB cents</b>	<b>RMB cents</b>
25.77	18.24
234,000,000	231,413,699

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>31 March 2008</b>	<b>31 March 2007</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>
Net asset value per ordinary share based on the issued shares at the end of the financial year	117.30	94.21	49.13	48.13
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; and (c) industrial detonators such as non-electric detonators and piston non-electric detonators. The breakdown of our revenue by the above product types and geographical segments during the financial year ended 31 March 2007 ("FY2007") and financial year ended 31 March 2008 ("FY2008") are as follows:

	<b>Group</b>				<b>% change</b>
	<b>FY2008</b>		<b>FY2007</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
Explosive devices	108,558	45.3	90,188	49.7	20.4
Industrial fuse and initiating explosive devices	75,970	31.7	68,669	37.9	10.6
Industrial detonators	54,331	22.7	21,674	11.9	150.7
Others <sup>(1)</sup>	588	0.3	860	0.5	(31.6)
	<b>239,447</b>	<b>100.0</b>	<b>181,391</b>	<b>100.0</b>	<b>32.0</b>

  

	<b>Group</b>				<b>% change</b>
	<b>FY2008</b>		<b>FY2007</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
Within PRC	151,781	63.4	109,858	60.6	38.2
<u>Outside PRC</u>					
Sales through export distributors <sup>(2)</sup>	33,378	13.9	38,624	21.3	(13.6)
Australia	27,604	11.5	23,742	13.1	16.3
South Africa	19,135	8.0	4,362	2.4	338.7
Others	7,549	3.2	4,805	2.6	57.1
	87,666	36.6	71,533	39.4	22.6
	<b>239,447</b>	<b>100.0</b>	<b>181,391</b>	<b>100.0</b>	<b>32.0</b>

Note :

- (1) Others include sales of raw materials and packaging materials.  
(2) These were sales to export distributors in the PRC in which they export the products to their customers overseas.

FY2008 revenue increased by approximately RMB 58.1 million or 32.0% from FY2007's RMB 181.4 million to FY2008's RMB 239.4 million, mainly due to the increase in sales within the PRC and sales to South Africa.

a) Sales within PRC

Sales within PRC increased by approximately RMB 41.9 million or 38.2%. The increase was mainly due to the general increase in demand for commercial explosives used for infrastructure, mining and hydroelectric construction projects in the PRC as customers are shifting to non-TNT commercial explosives as required by the PRC authorities.

In particular, our sales of boosters, seismic charges and piston non-electric detonators increased by approximately RMB 9.4 million, RMB 10.0 million and RMB 17.7 million during FY2008.

b) Sales to South Africa

Sales to South Africa increased by approximately RMB 14.8 million or approximately 338.7%. Looking forward, South Africa will be an important market for initiation system sales.

All local PRC sales contracts and export applications sought by export agents have been approved by the Commission of Science, Technology and Industry for National Defense ("Commission").



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)**

#### **Gross profit margin**

Gross profit margin improved by approximately 4.0 percentage points from 39.5% during FY2007 to 43.5% during FY2008. The increase in our gross profit margin was mainly a result of increased sourcing efficiencies and utilisation of re-processed RDX. Re-processed RDX is an alternative explosive chemical which we had purchased from China's State Reserves Bureau ("CSRB") at very competitive prices in April 2007.

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

Interest income increased by approximately RMB 47,000 and finance costs increased by approximately RMB 63,000 during the current financial year as compared to the previous financial year.

#### **Other credits / (Other charges)**

Other credits comprise foreign exchange adjustment gain of approximately RMB 98,000 (FY2007: RMB 4,000) and gain on sale of plant and equipment of RMB 1,000 (FY2007: Nil). Foreign exchange adjustment gain of approximately RMB 98,000 arises from foreign exchange rate changes between Renminbi (RMB), US Dollars and Singapore Dollars during the current financial year.

Other charges relate to write-off for stocks obsolescence of approximately RMB 260,000 during the current financial year and the write-off of plant and equipment with net book value of approximately RMB 98,000 during FY2007.

#### **Operating expenses**

Distribution costs decreased slightly by approximately RMB 0.2 million or 2.4% mainly due to our Group's continuing efforts in costs cutting measures, whereby we managed to reduce our transportation costs during the current financial year.

Administrative expenses increased by approximately RMB 5.5 million or 31.6% mainly due to the increase in those expenses relating to the improvement of our Group's results, for example, executive directors' profit sharing and safety expenses. Executive directors' profit sharing is computed based on a certain pre-defined percentage of our profit before taxation and safety expenses is computed based on pre-defined percentages of our annual revenue as set by the State Administration of Work Safety of the PRC.

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)**

#### **Income tax expenses**

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

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

Yinguang Technology is exempted from paying the provincial income tax of 3.0% during its years of operations.

The effective tax rate for FY2008 was 16.9% (FY2007 : 7.1%). This is higher than the PRC concessionary tax rate of 12.5% (or 15.0% before 1 January 2008) due to the corporate expenses incurred in Singapore.

#### **Balance sheet**

Property, plant and equipment increased by approximately RMB 24.4 million mainly due to the payment for the construction costs for our 2 new production facilities.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represent approximately 8.2%, 49.8%, 2.9% and 39.1% of our total current assets as at 31 March 2008.

Inventories increased by approximately RMB 10.6 million or 86.6% from FY2007's RMB 12.2 million to FY2008's RMB 22.8 million. The increase is mainly due to the increase in raw materials of approximately RMB 9.3 million, in particular the re-processed RDX that we purchased from CSRB were fully paid and received during the current financial year.

Trade receivables increased by approximately RMB 46.2 million or 51.2% mainly due to the increase in sales revenue for FY2008. Other receivables increased by approximately RMB 0.9 million or 53.6% mainly due to the increase in the Group's operations.

Other assets comprise the Group's prepayments. Other assets increased by approximately RMB 6.8 million from FY2007's RMB 1.5 million to FY2008's RMB 8.3 million mainly due to the prepayments for certain machineries for our new production facilities.

As at 31 March 2008, our current liabilities comprise income tax payable of RMB 5.4 million, trade and other payables of approximately RMB 43.6 million, other liabilities of approximately RMB 1.5 million and a finance lease obligation of approximately RMB 70,000. Non-current finance lease obligation approximates RMB 331,000.

Trade payables and accruals increased by approximately RMB 6.0 million mainly due to the increase in VAT payable which is inline with the increase in our revenue. Other payables and other liabilities increased by approximately RMB 6.4 million mainly due to the Group's expanding operations.

Total finance lease obligation of approximately RMB 401,000 consists of a 7 years finance lease secured against a motor vehicle with net book value of approximately RMB 466,000 as at 31 March 2008 and bears effective interest rate of 6.61% per annum.

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

#### **Cash flow**

For the financial year ended 31 March 2008, the Group has net cash generated from operating activities of approximately RMB 13.8 million, net cash used in investing activities of approximately RMB 27.4 million and net cash used in financing activities of approximately RMB 6.3 million.

The net cash used in investing activities of approximately RMB 27.4 million is mainly due to the construction of our two new production facilities. As mentioned in our previous quarterly results announcements, the Group had commenced the construction of a 3,000 tonnes boosters facility and a 60 million units detonators facility.

Our net cash used in financing activities is approximately RMB 6.3 million mainly due to the payment of dividends to shareholders of approximately RMB 6.15 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.**

#### **Boosters and Detonators facilities**

As mentioned above under the 'Cash flow' section and in our previous quarterly announcements, the Group had commenced the construction of a 3,000 tonnes Boosters and a 60 million units Piston non-electric detonators production facilities. The management is expecting to complete the construction and commence production during the first half of FY2009. Upon the commissioning of the new Piston non-electric detonators facility, the existing 20 million units facility will be converted for trial and testing purposes.

The progress of the above-mentioned construction is within our expected timeline and we expect that these two new production facilities will bring positive contributions to our FY2009 results.

#### **Effect of Earthquake at Sichuan province**

The management would like to inform the shareholders that due to the earthquake at Sichuan province during May 2008, the Group's revenue for FY2009 may be slightly affected. Sales to Gansu, Shannxi, Qinghai, Xinjiang, Hubei and Guizhou may be affected due to destruction caused by the earthquake to part of the infrastructure in those areas. Barring any unforeseen circumstances, the management is of the cautious view that the impact to our FY2009's results should not be significant.

**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.**

Use of IPO proceeds

As disclosed in the Prospectus, the Group will be using approximately RMB 32 million of the IPO proceeds to set up and expand manufacturing facilities for production of our new products, i.e seismic charges and piston non-electric detonators, and approximately RMB 1 million of the IPO proceeds for the expansion of our existing products, i.e. boosters and detonating cords.

The Group had announced on 30 May 2006 that we had acquired the seismic charges manufacturing facilities for approximately RMB 12.2 million. As mentioned above, the piston non-electric detonators and boosters manufacturing facilities are currently under construction. As previously mentioned in our third quarter results announcement, the management had informed the shareholders that we are undergoing feasibility studies for an additional 20 million metres of detonating cords manufacturing facility. With this new 20 million metres of detonating cords capacity, the Group's detonating cords capacity will be increased to 70 million metres.

For the financial year ended 31 March 2008, the Group has further utilised RMB 4.1 million of the IPO proceeds for the acquisition of equipments and machineries for boosters and piston non-electric detonators. Total IPO proceeds utilised up till 31 March 2008 is approximately RMB 16.3 million.

Mergers and acquisitions

On 19 December 2007, the Group announced the proposed acquisition of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"). Hebei Yinguang is principally engaged in the business of manufacturing and selling ammonium nitrate. Ammonium Nitrate is a major raw material for explosives. With the integration of such specialty raw material into our business, the Group can deliver extra value to the explosives industry thus tightened the relationship with the industry for the Group's further growth.

For more information on the above proposed acquisition, please refer to our announcement on 19 December 2007.

**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?**

Yes.

Details of dividend

Name of dividend :	First and final
Dividend type :	Cash
Dividend rate :	0.5302 Singapore cents per ordinary share (tax exempt one-tier)

(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.

**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 four 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) others.

<b>FY2008 RMB'000</b>	<b>Explosive devices</b>	<b>Industrial fuse and initiating devices</b>	<b>Industrial detonators</b>	<b>Others</b>	<b>Total</b>
Revenue	108,558	75,970	54,331	588	239,447
Segmental results	34,530	40,152	23,861	342	98,885
Interest income					264
Finance costs					(92)
Unallocated corporate expenses					(26,499)
Profit before income tax					72,558
Income tax expenses					(12,250)
Net profit attributable to shareholders					60,308
<b>Other information:</b>					
<b>Assets</b>					
Segmental assets	20,809	5,270	23,993	–	50,072
Unallocated corporate assets					275,412
Total assets					325,484
<b>Liabilities</b>					
Segmental liabilities	618	440	740	–	1,798
Unallocated segmental liabilities					49,208
Total liabilities					51,006
Capital expenditure	6,598	304	19,247	–	26,149
Unallocated capital expenditure					1,521
Total capital expenditure					27,670
Depreciation	1,043	321	327	–	1,691
Unallocated depreciation					1,025
Total depreciation					2,716
Unallocated non-cash expenses other than depreciation					260

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)**

**Business segments (Cont'd)**

<b>FY2007 RMB'000</b>	<b>Explosive devices</b>	<b>Industrial fuse and initiating devices</b>	<b>Industrial detonators</b>	<b>Others</b>	<b>Total</b>
Revenue	90,188	68,669	21,674	860	181,391
Segmental results	21,807	36,759	6,549	180	65,295
Interest income					217
Finance costs					(29)
Unallocated corporate expenses					(20,056)
Profit before income tax					45,427
Income tax expenses					(3,221)
Net profit attributable to shareholders					42,206
<b>Other information:</b>					
<b>Assets</b>					
Segmental assets	14,035	3,993	6,599	–	24,627
Unallocated corporate assets					232,131
Total assets					256,758
<b>Liabilities</b>					
Segmental liabilities	390	265	603	–	1,258
Unallocated segmental liabilities					35,038
Total liabilities					36,296
Capital expenditure	12,351	49	2,107	–	14,507
Unallocated capital expenditure					4,314
Total capital expenditure					18,821
Depreciation	886	299	298	–	1,483
Unallocated depreciation					727
Total depreciation					2,210
Non-cash expenses other than depreciation	2	74	22	–	98

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)**

**Geographical segments**

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

	<b>FY2008 RMB'000</b>	<b>FY2007 RMB'000</b>
<b><u>Revenue</u></b>		
Within PRC	151,781	109,858
<b><u>Outside PRC</u></b>		
Sales through export distributors *	33,378	38,624
Australia	27,604	23,742
South Africa	19,135	4,362
Others	7,549	4,805
	<u>87,666</u>	<u>71,533</u>
	<b><u>239,447</u></b>	<b><u>181,391</u></b>

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

**Carrying amount of segment assets**

Within PRC	323,950	255,576
Singapore	1,534	1,182
	<u>325,484</u>	<u>256,758</u>

**Capital expenditure**

Within PRC	27,657	17,744
Singapore	13	1,077
	<u>27,670</u>	<u>18,821</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 the three main business segments, namely explosive devices, industrial fuse and initiating devices and industrial detonators, increased by approximately 20.4%, 10.6% and 150.7% respectively. Gross profit margins from these segments generally improved during FY2008 due to the use of cheaper raw materials, re-processed RDX, and the increase in unit selling price.

During FY2008, sales of seismic charges and piston non-electric detonators increased by approximately RMB 10.0 million and RMB 32.7 million, respectively.

**Geographical segments**

During FY2008, PRC sales increased by approximately RMB 41.9 million or 38.2% and overseas sales increased by approximately RMB 16.1 million or 22.6%. PRC and export revenue represents approximately 63.4% (FY2007: 60.6%) and 36.6% (FY2007: 39.4%) of the total revenue for FY2008.

Local PRC sales increased mainly due to the general increase in demand of commercial explosives in the PRC.

Overseas sales mainly comprise our sales of boosters to Australia and export distributors and piston non-electric detonators to South Africa.

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



15. A breakdown of sales.

	Group		Increase/
	FY2008	FY2007	(Decrease)
	RMB'000	RMB'000	%
Revenue reported for first half year	97,804	74,488	31.3
Operating profit after tax reported for first half	22,105	18,663	18.4
Revenue reported for second half year	141,643	106,903	32.5
Operating profit after tax reported for second half	38,203	23,543	62.3

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**

	FY2008	FY2007
	RMB'000	RMB'000
Ordinary	6,154	-
Preference	-	-
Total	6,154	-

17. Interested Person Transaction

Name of interested person	Nature	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)	
		FY2008 RMB'000	FY2007 RMB'000	FY2008 RMB'000	FY2007 RMB'000
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	3,000	3,000	-	-
Feixian Yinguang Substances Development Co., Ltd	Purchase of packaging materials	-	4,227	-	-
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	2,316	2,369	-	-
Feixian Yinguang Magnesium Co., Ltd	Purchase of magnesium materials	4,737	537	-	-
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	839	768	-	-

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

Aoxin is connected to our Directors and/or Controlling Shareholders but does not fall within 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. Together with our Group, 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 (“Yinsheng Investments”), who is 54.3% owned by our executive officer, Sun Qiang, has a 22.2% interest in Aoxin. Our Managing Director is also a non-executive director of Aoxin.

We sell our commercial explosives to Aoxin which in turn sells to its customers overseas. In addition, we also engage the services of Aoxin to export our products to our overseas customers as we do not have the relevant licence to export commercial explosives. We negotiate the terms of sales and sign the sales contracts with our overseas customers. The transactions were entered into on normal commercial terms and at arm’s length basis.

	<b>FY2008</b>	<b>FY2007</b>
<b>Nature</b>	<b>RMB’000</b>	<b>RMB’000</b>
Sales of commercial explosives to Aoxin	27,212	36,124
Sales of commercial explosives to our overseas customers through Aoxin	40,794	28,548

**BY ORDER OF THE BOARD**  
**SUN BOWEN**  
**MANAGING DIRECTOR**  
**26 MAY 2008**