



## Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the 1<sup>st</sup> Quarter ended 30 June 2009 (“1Q2010”)

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

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

	Group		Increase/ (Decrease)  %
	3 months ended 30 June 2009 RMB'000	3 months ended 30 June 2008 RMB'000	
<b>Revenue</b>	83,164	48,036	73.1
Cost of sales	(47,862)	(27,620)	73.3
<b>Gross profit</b>	35,302	20,416	72.9
<b><u>Other Items of Income</u></b>			
Interest income	58	72	(19.4)
Other credits – Note (i)	79	300	(73.7)
<b><u>Other Items of Expense</u></b>			
Distribution costs	(3,747)	(2,196)	70.6
Administrative expenses	(7,672)	(5,012)	53.1
Finance costs	(298)	(5)	5860.0
Other charges – Note (ii)	(687)	(6)	11350.0
<b>Profit before income tax</b>	23,035	13,569	69.8
Income tax expense	(3,429)	(2,001)	71.4
<b>Net profit attributable to shareholders</b>	19,606	11,568	69.5
<b>Note (i) – Other Credits</b>			
Gain on disposal of property, plant and equipment	79	-	N.M.
Grant from Ministry of Finance of Fei County	-	300	N.M.
	79	300	(73.7)
<b>Note (ii) – Other Charges</b>			
Foreign exchange adjustment loss	(687)	(6)	11350.0
	(687)	(6)	11350.0

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

Amortisation of land use rights	(262)	-	N.M.
Depreciation expenses	(2,427)	(654)	271.1
Foreign exchange adjustment loss	(687)	(6)	11350.0
Gain on disposal of property, plant and equipment	79	-	N.M.
Interest expense	(298)	(5)	5860.0
Interest income from bank deposits	58	72	(19.4)

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.

	<b>Group</b>		<b>Increase/ (Decrease)</b>
	<b>3 months ended 30 June 2009 RMB'000</b>	<b>3 months ended 30 June 2008 RMB'000</b>	
<b>Net profit attributable to shareholders</b>	19,606	11,568	71.2
Foreign currency translation difference	552	21	2528.6
<b>Total comprehensive income for the period</b>	<u>20,158</u>	<u>11,589</u>	75.7

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

	Group		Company	
	30 June 2009 RMB'000	31 March 2009 RMB'000	30 June 2009 RMB'000	31 March 2009 RMB'000
<b>ASSETS</b>				
<b>Non-current assets :</b>				
Property, plant and equipment	140,147	138,462	378	376
Goodwill on consolidation	20,001	20,001	-	-
Land use rights	44,764	45,026	-	-
Investment in subsidiary	-	-	106,126	101,176
<b>Total non-current assets</b>	<b>204,912</b>	<b>203,489</b>	<b>106,504</b>	<b>101,552</b>
<b>Current assets :</b>				
Inventories	50,842	47,001	-	-
Trade and other receivables (Note 1)	125,243	119,074	13,034	14,689
Other assets	28,562	27,500	155	97
Cash and cash equivalents	83,101	112,621	635	256
<b>Total current assets</b>	<b>287,748</b>	<b>306,196</b>	<b>13,824</b>	<b>15,042</b>
<b>Total assets</b>	<b>492,660</b>	<b>509,685</b>	<b>120,328</b>	<b>116,594</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves :</b>				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	181,648	163,859	5,059	8,494
Other reserves	30,126	27,757	(6,841)	(12,342)
<b>Total equity</b>	<b>328,623</b>	<b>308,465</b>	<b>115,067</b>	<b>113,001</b>
<b>Non-Current liabilities :</b>				
Other financial liabilities	220	226	220	226
<b>Total non-current liabilities</b>	<b>220</b>	<b>226</b>	<b>220</b>	<b>226</b>
<b>Current liabilities :</b>				
Income tax payable	4,952	5,240	-	-
Trade and other payables (Note 2)	110,937	144,057	4,971	3,301
Other financial liabilities	70	66	70	66
Bank loans	20,000	23,000	-	-
Third party loan	25,793	26,622	-	-
Other liabilities	2,065	2,009	-	-
<b>Total current liabilities</b>	<b>163,817</b>	<b>200,994</b>	<b>5,041</b>	<b>3,367</b>
<b>Total liabilities</b>	<b>164,037</b>	<b>201,220</b>	<b>5,261</b>	<b>3,593</b>
<b>Total liabilities and equity</b>	<b>492,660</b>	<b>509,685</b>	<b>120,328</b>	<b>116,594</b>
<b>Note 1</b>				
Trade receivables	124,456	117,482	-	-
Amount receivable from subsidiary	-	-	13,034	14,688
Other receivables	787	1,592	-	1
<b>Trade and other receivables</b>	<b>125,243</b>	<b>119,074</b>	<b>13,034</b>	<b>14,689</b>
<b>Note 2</b>				
Trade payables and accruals	48,371	78,894	4,573	3,090
Other payables	62,566	65,163	398	211
<b>Trade and other payables</b>	<b>110,937</b>	<b>144,057</b>	<b>4,971</b>	<b>3,301</b>

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

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

**(RMB'000)**

<b>30 June 2009</b>		<b>31 March 2009</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
5,070	40,793	8,066	41,622

**Amount repayable after one year**

**(RMB'000)**

<b>30 June 2009</b>		<b>31 March 2009</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
220	-	226	-

**Details of any collateral**

As at 30 June 2009, the Group has secured borrowings comprising a 7 years finance lease of approximately RMB 290,000 for the purchase of a motor vehicle and aggregate secured short-term bank loans of RMB 5 million. Unsecured borrowings relates to a loan from a third party of RMB 25.8 million and aggregate short-term bank loans of RMB 15 million.

The finance lease is secured against the motor vehicle with net book value of approximately RMB 364,000, 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 4.8 million. The secured short-term bank loans' interest rate is 6.1065% per annum.

Unsecured borrowing of RMB 25.8 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 bank loans of RMB 15 million are guaranteed by corporate guarantee of Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang, and guarantee by Ministry of Finance of Linxi County. The unsecured short-term bank loans' interest rates ranged between 6.93% and 13.68% 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>3 months ended 30 June 2009 RMB'000</b>	<b>3 months ended 30 June 2008 RMB'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	23,035	13,569
Adjustments for :		
Amortisation of land use rights	262	-
Depreciation expense	2,427	654
Gain on disposal of property, plant and equipment	79	-
Interest income	(58)	(72)
Interest expenses	298	5
Net effect of exchange rate changes in translation of financial statements of Parent	537	25
Operating profit before working capital changes	26,580	14,181
Inventories	(3,841)	(4,256)
Trade and other receivables	(6,169)	11,768
Other assets	(1,062)	(12,389)
Trade and other payables	(33,120)	(672)
Other liabilities	56	(66)
Cash generated from operations	(17,556)	8,566
Income tax paid	(3,717)	(4,017)
<b>Net cash (used in) / from operating activities</b>	<b>(21,273)</b>	<b>4,549</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	384	-
Purchase of property, plant and equipment	(4,560)	(10,966)
Interest received	58	72
<b>Net cash used in investing activities</b>	<b>(4,118)</b>	<b>(10,894)</b>
<b>Cash flows from financing activities</b>		
Repayment of short-term bank loan	(3,000)	-
Repayment of finance lease obligation	(2)	(20)
Repayment of third party loan	(829)	-
Interest paid	(298)	(5)
<b>Net cash used in financing activities</b>	<b>(4,129)</b>	<b>(25)</b>
Net decrease in cash	(29,520)	(6,370)
Cash at beginning of the year	112,621	108,928
<b>Cash at end of the year</b>	<b>83,101</b>	<b>102,558</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.**

	Share capital	Statutory reserves	Foreign currency translation reserves	Retained earnings	Total
<b>Group (RMB'000)</b>					
Balance at 1 April 2009	116,849	28,132	(375)	163,859	308,465
Appropriation for the period	-	1,817	-	(1,817)	-
Total comprehensive income for the period	-	-	552	19,606	20,158
Balance at 30 June 2009	<u>116,849</u>	<u>29,949</u>	<u>177</u>	<u>181,648</u>	<u>328,623</u>
Balance at 1 April 2008	116,849	23,526	574	133,529	274,478
Appropriation for the period	-	1,410	-	(1,410)	-
Total comprehensive income for the period	-	-	21	11,568	11,589
Balance at 30 June 2008	<u>116,849</u>	<u>24,936</u>	<u>595</u>	<u>143,687</u>	<u>286,067</u>

	Share capital	Foreign currency translation reserves	Retained earnings/ (Accumulated losses)	Total
<b>Company (RMB'000)</b>				
Balance at 1 April 2009	116,849	(12,342)	8,494	113,001
Total comprehensive income/(loss) for the period	-	5,501	(3,435)	2,066
Balance at 30 June 2009	<u>116,849</u>	<u>(6,841)</u>	<u>5,059</u>	<u>115,067</u>
Balance at 1 April 2008	116,849	2,114	(4,000)	114,963
Total comprehensive loss for the period	-	(968)	(2,528)	(3,496)
Balance at 30 June 2008	<u>116,849</u>	<u>1,146</u>	<u>(6,528)</u>	<u>111,467</u>

**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.**

	<b>Group</b>	
	<b>30 June 2009</b>	<b>31 March 2009</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 Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements, except as disclosed in paragraph 5 below.

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

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

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

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

	<b>Group</b>	
	<b>3 months ended 30 June 2009</b>	<b>3 months ended 30 June 2008</b>
	<b>RMB cents</b>	<b>RMB cents</b>
Earnings per ordinary share for the year based on net profit attributable to shareholders :		
Based on weighted average number of ordinary shares in issue	8.38	4.94
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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2009</b>	<b>31 March 2009</b>	<b>30 June 2009</b>	<b>31 March 2009</b>
	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>
Net asset value per ordinary share based on the issued shares at the end of the financial year	140.44	131.82	49.17	48.29
Number of issued shares use in calculating net asset value	234,000,000	234,000,000	234,000,000	234,000,000



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

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

**Revenue**

Revenue for the 3-month period ended 30 June 2009 ("1Q2010") increased by approximately RMB 35.1 million or 73.1%, from RMB 48.0 million of the 3-month period ended 30 June 2008 ("1Q2009") to RMB 83.2 million in 1Q2010. The increase was mainly due to the general increase in revenue across all our product range of approximately RMB 19.7 million and the sales of ammonium nitrate of RMB 15.8 million.

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 and comparison of our revenue by the above product types and geographical segments between 1Q2010 and 1Q2009 are as follows:

	<b>Group</b>				<b>% change</b>
	<b>3 months ended 30 June 2009 ("1Q2010")</b>		<b>3 months ended 30 June 2008 ("1Q2009")</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
Explosive devices	18,376	22.1	13,585	28.3	35.3
Industrial fuse and initiating explosive devices	30,616	36.8	22,447	46.7	36.4
Industrial detonators	18,301	22.0	11,569	24.1	58.2
Ammonium Nitrate	15,777	19.0	-	-	N.M.
Others <sup>(1)</sup>	94	0.1	435	0.9	(78.4)
	<b>83,164</b>	<b>100.0</b>	<b>48,036</b>	<b>100.0</b>	<b>73.1</b>

	<b>Group</b>				<b>% change</b>
	<b>3 months ended 30 June 2009 ("1Q2010")</b>		<b>3 months ended 30 June 2008 ("1Q2009")</b>		
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	
Within PRC	73,157	88.0	44,104	91.8	65.9
<u>Outside PRC</u>					
Sales through export distributors <sup>(2)</sup>	1,120	1.3	646	1.3	73.4
Australia	7,208	8.7	2,246	4.7	220.9
Others	1,679	2.0	1,040	2.2	61.4
	<b>10,007</b>	<b>12.0</b>	<b>3,932</b>	<b>8.2</b>	<b>154.5</b>
	<b>83,164</b>	<b>100.0</b>	<b>48,036</b>	<b>100.0</b>	<b>73.1</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.

a) **Sales within PRC**

Sales within PRC increased by approximately RMB 29.1 million or 65.9% to RMB 73.2 million in 1Q2010, from RMB 44.1 million in the previous year. The increase was mainly due to the sales of ammonium nitrate of RMB 15.8 million and the increased sales of piston non-electric detonators and detonating cords.

Our local sales of piston non-electric detonators and detonating cords increased by approximately RMB 6.7 million and RMB 7.3 million respectively due to the increasing market efforts to focus on the domestic market.

Sales of ammonium nitrate arise from the acquisition of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"). There was no such sale for the previous corresponding period as the acquisition was made in October 2008.

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

#### **Revenue (Cont'd)**

- b) Sales through export distributors, Australia and other customers

The fluctuations in sales revenue were mainly due to the different shipping requirements for delivery of goods.

All local 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"). MIIT replaced the Commission of Science, Technology and Industry for National Defense ("Commission") as the governing body for commercial explosive companies in China.

#### **Gross profit margin**

Gross profit margin for the Group changed slightly by approximately 0.1 percentage points from 42.5% during 1Q2009 to 42.4% during 1Q2010. The slight decrease is mainly due to the lower gross profit margin for our new subsidiary, Hebei Yinguang.

For 1Q2010, Hebei Yinguang's gross profit margin was approximately 14.0%, whereas Yinguang Technology's gross profit margin was approximately 49.1%, which is an increase of 6.6%, as compared to the previous corresponding quarter of 42.5%. The increase is mainly due to improved sales of piston non-electric detonators that fetched better margin for 1Q2010.

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

Interest income decreased by approximately RMB 14,000, mainly due to reduced bank deposits. Finance costs increased by approximately RMB 293,000, mainly due to the new bank loans and third party loan from the acquisition of Hebei Yinguang.

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

Other credits for the current quarter ended 30 June 2009 comprise a gain on disposal of property, plant and equipment of approximately RMB 79,000. For the previous quarter ended 30 June 2008, other credits comprise a grant of RMB 300,000 from the Ministry of Finance of Fei County. This Grant was awarded for our Subsidiary's good safety records.

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

#### **Operating expenses**

Distribution costs increased by approximately RMB 1.6 million or 70.6% to RMB 3.7 million in 1Q2010 from RMB 2.2 million in 1Q2009. This is mainly due to the increase in sales revenue and the inclusion of Hebei Yinguang's distribution costs for the current quarter.

Administrative expenses rose by approximately RMB 2.7 million or 53.1% to RMB 7.7 million in 1Q2010 from RMB 5.0 million in 1Q2009. The inclusion of Hebei Yinguang's administrative expenses and the increase in those expenses relating to the improvement of our Group's results, for example, executive directors' profit sharing and safety expenses, were the main factors that contributed to the rise.

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.

Our newly acquired subsidiary, Hebei Yinguang is liable to pay the full tax rate of 25%.

The effective tax rate for 1Q2010 was 14.9% (1Q2009: 14.7%). This is higher than the PRC concessionary tax rate of 12.5% due to the corporate expenses incurred in Singapore.

#### **Balance sheet**

Property, plant and equipment increased by approximately RMB 1.7 million, mainly due to the purchase of miscellaneous plant and equipment, offset by the depreciation charged during the current quarter of approximately RMB 2.4 million.

Land use rights decreased by approximately RMB 262,000 due to the amortization of land use rights.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represent approximately 17.7%, 43.5%, 9.9% and 28.9% of our total current assets as at 30 June 2009.

Inventories increased by approximately RMB 3.8 million or 8.2% from 31 March 2009's RMB 47.0 million to 30 June 2009's RMB 50.8 million. The increase was mainly due to the increase in raw materials and finished goods pending shipments in the following month.

Trade and other receivables increased by approximately RMB 6.2 million or 5.2% mainly due to the higher sales revenue in 1Q2010 as compared to the previous corresponding quarter.

Other assets, comprising the Group's prepayments, increased slightly by approximately RMB 1.1 million or 3.9% to RMB 28.6 million as at 30 June 2009.

As at 30 June 2009, our current liabilities comprise income tax payable of RMB 5.0 million, trade and other payables of approximately RMB 110.9 million, a finance lease obligation of approximately RMB 70,000, bank loans of RMB 20 million, third party loan of RMB 25.8 million and other liabilities of RMB 2.1 million. Non-current finance lease obligation approximates RMB 220,000.

Trade payables and accruals decreased by approximately RMB 30.5 million mainly due to the payment of a bill payable of RMB 30 million which became due during the current quarter.

Total finance lease obligation of approximately RMB 290,000 consists of a 7 years finance lease secured against a motor vehicle with net book value of approximately RMB 364,000 as at 30 June 2009 and bears effective interest rate of 6.61% per annum.

During the current quarter, bank loans and third party loan reduced by approximately RMB 3.0 million to RMB 20.0 million and by RMB 829,000 to RMB 25.8 million respectively.

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 current quarter ended 30 June 2009, the Group has net cash used in operating activities, investing activities and financing activities of approximately RMB 21.3 million, RMB 4.1 million and RMB 4.1 million respectively.

The net cash used in operating activities of approximately RMB 21.3 million was mainly due to the payment of a bill payable of approximately RMB 30.0 million due in the current quarter.

The net cash used in investing activities of approximately RMB 4.1 million was mainly due to the purchase of miscellaneous property, plant and equipment.

The net cash used in financing activities of approximately RMB 4.1 million is mainly due to the repayment of short-term bank loan of RMB 3 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.**

#### **Hebei Yinguang Chemical Co.,Ltd**

The Group is heartened by the contribution of RMB 15.8 million from our newly acquired Hebei Yinguang, despite the downward pressure of the volatile economic conditions on the selling price of ammonium nitrate. The management, however, will continue to assess the market's situation closely.

#### **2008 Beijing Olympics Games**

During the 3 months ended 30 September 2008 ("2Q2009"), our Group's results were badly affected by the Beijing Olympics Games where certain restrictions were imposed on the Company's subsidiary, Yinguang Technology.

Barring unforeseen circumstances, the management does not expect such material event to recur during the coming 3 months ending 30 September 2009 ("2Q2010"), and thus our results for 2Q2010 should normalise.

#### **Global economic conditions**

Mining activities in our major markets continue to remain relatively quiet with minor improvements, as seen from some improved sales by the Group in 1Q2010.

Despite having seen these improvements, the board of directors remains cautious and will inform our shareholders of any material impact these economic conditions may have on the Group's future performance.

**11. Dividend**

**(a) *Current Financial Period Reported On***

**Any dividend declared for the current financial period reported on?**

None.

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

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

None.

**(c) *Date payable***

Not applicable.

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

Not applicable.

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

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

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

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited 1<sup>st</sup> quarter financial statements set out above to be false or misleading in any material aspect.

For and On behalf of the Board of Directors

Sun Bowen  
Managing Director

Bao Hongwei  
Director

**BY ORDER OF THE BOARD  
SUN BOWEN  
MANAGING DIRECTOR  
7 AUGUST 2009**