



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the 1st Quarter ended 30 June 2012 (“1Q2013”)

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

1(a)(i) 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) %
	3 months ended 30 June 2012 RMB'000	3 months ended 30 June 2011 RMB'000	
Revenue	144,182	137,780	4.6
Cost of sales	(101,037)	(95,708)	5.6
Gross profit	43,145	42,072	2.6
<u>Other Items of Income</u>			
Interest income	190	238	(20.2)
Other credits – Note (i)	1,802	1,417	27.2
<u>Other Items of Expense</u>			
Distribution costs	(9,004)	(8,868)	1.5
Administrative expenses	(11,593)	(12,279)	(5.6)
Finance costs	(810)	(660)	22.7
Other charges – Note (ii)	-	(347)	N.M.
Profit before income tax	23,730	21,573	10.0
Income tax expense	(6,915)	(6,319)	9.4
Profit attributable to shareholders	16,815	15,254	10.2
Note (i) – Other Credits			
Gain on disposal of property, plant and equipment	10	3	233.3
Foreign exchange adjustment gain	432	-	N.M.
Government grant	1,360	1,414	(3.8)
	1,802	1,417	27.2
Note (ii) – Other Charges			
Foreign exchange adjustment loss	-	(347)	N.M.
	-	(347)	N.M.
Profit before income tax was stated after crediting / (charging) :-			
Amortisation expenses	(573)	(424)	35.1
Depreciation expenses	(5,377)	(4,091)	31.4
Foreign exchange adjustment (loss)/gain	432	(347)	(224.5)
Gain on disposal of property, plant and equipment	10	3	233.3
Interest expense	(810)	(660)	22.7
Interest income from bank deposits	190	238	(20.2)

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)

	Group		Increase/ (Decrease) %
	3 months ended 30 June 2012 RMB'000	3 months ended 30 June 2011 RMB'000	
Profit attributable to shareholders	16,815	15,254	10.2
Foreign currency translation difference	(392)	182	(315.4)
Total comprehensive income for the period	<u>16,423</u>	<u>15,436</u>	6.4

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	
	30 June 2012 RMB'000	31 March 2012 RMB'000	30 June 2012 RMB'000	31 March 2012 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	232,655	234,404	238	248
Intangible assets	5,462	5,678	-	-
Other assets, non-current	97,787	97,754	-	-
Deferred tax assets	4,412	4,495	-	-
Investment in subsidiary	-	-	111,930	113,298
Total non-current assets	340,316	342,331	112,168	113,546
Current assets :				
Inventories	61,978	62,404	-	-
Trade and other receivables (Note 1)	147,290	124,268	40,041	41,828
Other assets , current	48,000	43,965	56	68
Cash and cash equivalents	116,754	103,143	511	217
Total current assets	374,022	333,780	40,608	42,113
Total assets	714,338	676,111	152,776	155,659
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	294,942	279,925	28,947	31,635
Other reserves	45,038	43,632	(519)	1,241
Total equity	456,829	440,406	145,277	149,725
Non-Current liabilities :				
Deferred tax liabilities	5,420	5,306	-	-
Other financial liabilities	-	7	-	7
Total non-current liabilities	5,420	5,313	-	7
Current liabilities :				
Income tax payable	2,461	981	-	-
Trade and other payables (Note 2)	204,809	183,078	7,427	5,840
Other financial liabilities, current	42,431	43,674	72	87
Other liabilities	2,388	2,659	-	-
Total current liabilities	252,089	230,392	7,499	5,927
Total liabilities	257,509	235,705	7,499	5,934
Total liabilities and equity	714,338	676,111	152,776	155,659
Note 1				
Trade receivables	143,432	119,508	-	-
Amount receivable from subsidiary	-	-	40,041	41,828
Tax recoverable	2,280	2,911	-	-
Other receivables	1,578	1,849	-	-
Trade and other receivables	147,290	124,268	40,041	41,828
Note 2				
Trade payables and accruals	85,980	67,605	6,853	5,692
Other payables	118,829	115,473	574	148
Trade and other payables	204,809	183,078	7,427	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)

30 June 2012		31 March 2012	
Secured	Unsecured	Secured	Unsecured
14,072	28,359	14,087	29,587

Amount repayable after one year

(RMB'000)

30 June 2012		31 March 2012	
Secured	Unsecured	Secured	Unsecured
-	-	7	-

Details of any collateral

As at 30 June 2012, the Group has secured borrowings comprising a 7-year finance lease of approximately RMB 72,000 for the purchase of a motor vehicle and aggregate secured short-term bank loans of RMB 14.0 million. Unsecured borrowings relates to a loan from a third party of RMB 8.4 million and an unsecured short-term bank loan of RMB 20.0 million.

The finance lease is secured against the motor vehicle with net book value of approximately RMB 213,000, and bears effective interest rate of 6.61% per annum.

Secured short-term bank loans are secured using Hebei Yinguang Chemical Co., Ltd's ("Hebei Yinguang") land and buildings with net book value of approximately RMB 16.9 million and a corporate guarantee by Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Chemical Group"), the former holding company of Hebei Yinguang. The secured short-term bank loan's interest rate is 8.203% per annum.

Unsecured borrowing of RMB 28.4 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd of RMB 8.4 million and a short-term bank loan of RMB 20.0 million. Unsecured short-term bank loan of RMB 20 million is guaranteed by corporate guarantee of Yinguang Chemical Group and has an interest rate of 7.872% 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	
	3 months ended 30 June 2012 RMB'000	3 months ended 30 June 2011 RMB'000
Cash flows from operating activities		
Profit before income tax	23,730	21,573
Adjustments for :		
Amortisation expenses	573	456
Depreciation expense	5,377	4,091
Gain on disposal of property, plant and equipment	(10)	(3)
Interest income	(190)	(238)
Interest expenses	810	660
Net effect of exchange rate changes in translation of financial statements of Parent	(389)	179
Operating profit before working capital changes	29,901	26,718
Inventories	426	7,179
Trade and other receivables	(23,653)	(13,910)
Other assets	(4,035)	4,469
Trade and other payables	21,731	(4,675)
Other liabilities	(271)	(213)
Cash generated from operations	24,099	19,568
Income tax paid	(4,607)	(5,346)
Net cash from operating activities	19,492	14,222
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	17	85
Purchase of property, plant and equipment	(3,638)	(548)
Purchase of land use rights	(390)	-
Interest received	190	238
Net cash used in investing activities	(3,821)	(225)
Cash flows from financing activities		
Repayment of finance lease obligation	(22)	(19)
Repayment of third party loan	(1,228)	(4,050)
Interest paid	(810)	(660)
Net cash used in financing activities	(2,060)	(4,729)
Net increase in cash	13,611	9,268
Cash at beginning of the period	103,143	101,053
Cash at end of the period	116,754	110,321

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
Group (RMB'000)					
Balance at 1 April 2012	116,849	42,546	1,086	279,925	440,406
Appropriation for the period	-	1,798	-	(1,798)	-
Total comprehensive income for the period	-	-	(392)	16,815	16,423
Balance at 30 June 2012	116,849	44,344	694	294,942	456,829
Balance at 1 April 2011	116,849	37,567	1,344	231,074	386,834
Appropriation for the period	-	1,331	-	(1,331)	-
Total comprehensive income for the period	-	-	182	15,254	15,436
Balance at 30 June 2011	116,849	38,898	1,526	244,997	402,270

	Share capital	Foreign currency translation reserves	Retained earnings	Total
Company (RMB'000)				
Balance at 1 April 2012	116,849	1,241	31,635	149,725
Total comprehensive loss for the period	-	(1,760)	(2,688)	(4,448)
Balance at 30 June 2012	116,849	(519)	28,947	145,277
Balance at 1 April 2011	116,849	5,377	20,451	142,677
Total comprehensive income/(loss) for the period	-	887	(3,607)	(2,720)
Balance at 30 June 2011	116,849	6,264	16,844	139,957

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	
	30 June 2012	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.**

	Group	
	3 months ended 30 June 2012	3 months ended 30 June 2011
	RMB cents	RMB cents
Earnings per ordinary share for the year based on net profit attributable to shareholders :		
Based on weighted average number of ordinary shares in issue	7.19	6.52
Weighted average number of ordinary shares in issue for basic earnings per share	234,000,000	234,000,000

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

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the :-**
 (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

	Group		Company	
	30 June 2012	31 March 2012	30 June 2012	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	195.23	188.21	62.08	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

Revenue for the 3-month period ended 30 June 2012 ("1Q2013") increased by approximately RMB 6.4 million or 4.6%, from RMB 137.8 million of the 3-month period ended 30 June 2011 ("1Q2012") to RMB 144.2 million in 1Q2013. The increase was mainly due to the general increase in revenue across most of our key product and market segments.

Our products can be categorised mainly into (a) explosive devices such as boosters and seismic 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 1Q2013 and 1Q2012 are as follows:

	Group				% change
	3 months ended 30 June 2012 ("1Q2013")		3 months ended 30 June 2011 ("1Q2012")		
	RMB'000	%	RMB'000	%	
Explosive devices	38,042	26.4	32,028	23.2	18.8
Industrial fuse and initiating explosive devices	32,838	22.8	29,850	21.7	10.0
Industrial detonators	26,167	18.1	24,914	18.1	5.0
Ammonium Nitrate	46,529	32.3	50,827	36.9	(8.5)
Others ⁽¹⁾	606	0.4	161	0.1	276.4
	144,182	100.0	137,780	100.0	4.6

	Group				% change
	3 months ended 30 June 2012 ("1Q2013")		3 months ended 30 June 2011 ("1Q2012")		
	RMB'000	%	RMB'000	%	
Within PRC	113,787	78.9	110,843	80.4	2.7
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	9,799	6.8	3,478	2.5	181.7
Australia	14,886	10.3	19,669	14.3	(24.3)
Others	5,710	4.0	3,790	2.8	50.7
	30,395	21.1	26,937	19.6	12.8
	144,182	100.0	137,780	100.0	4.6

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 2.9 million or 2.7% to RMB 113.8 million in 1Q2013, as compared to RMB 110.8 million in the previous corresponding period. The increase was mainly due to the increased in sales of industrial fuse and initiating explosive devices and industrial detonators, partially offset by the lower sales of ammonium nitrate.

PRC sales of industrial fuse and initiating explosive devices, in particular detonating cords, and industrial detonators increased mainly due to increase in sales volume. Sales of ammonium nitrate decreased by approximately RMB 4.3 million or 8.5% to 1Q2013's RMB 46.5 million from RMB 50.8 million the previous corresponding quarter. The decrease was mainly due to the lower market-driven selling price during the current quarter under review.

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 and other countries
- The fluctuations in sales revenue were mainly due to the different shipping timeline and requirements for delivery of goods.
- c) Sales to Australia
- Sales to Australia decreased by approximately RMB 4.8 million or 24.3%. The decrease was mainly due to the different shipping timeline and requirements from our customers.

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").

Gross profit margin

Gross profit margin for the Group decreased marginally by approximately 0.6 percentage points, from 30.5% during 1Q2012 to 29.9% during 1Q2013. The decrease is mainly due to the lower market-driven selling price of ammonium nitrate during the current quarter as compared to the previous corresponding quarter.

Interest income / (Finance costs)

Interest income decreased by approximately RMB 48,000 was mainly due to the lower average bank deposits and lower interest rate during the current period under review. Finance costs increased by approximately RMB 150,000 mainly due to the higher bank loans during the current period under review. Total bank loans amounted to approximately RMB 25.0 million during 1Q2012 and RMB 34.0 million during 1Q2013.

Other credits / (Other charges)

Other credits for the current quarter ended 30 June 2012 comprise gain on disposal of property, plant and equipment of approximately RMB 10,000, foreign exchange adjustment gain of approximately RMB 432,000 and government grant of approximately RMB 1.4 million. For the previous corresponding quarter ended 30 June 2011, other credits comprise of gain on disposal of property, plant and equipment of RMB 3,000 and government grant of approximately RMB 1.4 million.

Government grant relates to a grant by Hebei Province, Linxi County's government for our subsidiary, Hebei Yinguang Chemical Co., Ltd..

Other charges for 1Q2012 relates to foreign exchange adjustment loss of approximately RMB 347,000.

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

Operating expenses

Distribution costs increased slightly by approximately RMB 136,000 or 1.5% to RMB 9.0 million in 1Q2013 from RMB 8.9 million in 1Q2012 which is in line with the increase in our revenue.

Administrative expenses decreased marginally by approximately RMB 686,000 or 5.6% to RMB 11.6 million in 1Q2013 from RMB 12.3 million in 1Q2012.

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

The effective tax rate for 1Q2013 was 29.1% (1Q2012: 29.3%). This is higher than the PRC concessionary tax rate of 25.0% mainly due to certain non-deductible expenses.

Balance sheet

Property, plant and equipment decreased slightly by approximately RMB 1.7 million, mainly due to the depreciation charged for the current period under review, partially offset by the acquisition of property, plant and equipment.

Intangible assets comprised of the Group's licences and customer relationships which arose during the purchase price allocation ("PPA") exercise for the acquisition of Hebei Yinguang during FY2010. Intangible assets decreased by approximately RMB 0.2 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 increased by approximately RMB 33,000 mainly due to the payment of miscellaneous taxes and transfer fees for the land use rights acquired, partially offset by the amortisation charges during the current period under review.

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

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 16.6%, 39.4%, 12.8% and 31.2% respectively of our total current assets as at 30 June 2012.

Inventories decreased by approximately RMB 0.4 million or 0.7% to RMB 62.0 million as at 30 June 2012, as compared to RMB 62.4 million as at 31 March 2012.

Trade and other receivables increased by approximately RMB 23.0 million or 18.5%, mainly due to the increase in sales revenue during the financial period under review.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 4.0 million or 9.2% to RMB 48.0 million as at 30 June 2012.

As at 30 June 2012, our current liabilities comprised of income tax payable of RMB 2.5 million, trade and other payables of approximately RMB 204.8 million, other current financial liabilities of approximately RMB 42.4 million and other liabilities of RMB 2.4 million. Non-current liabilities comprised of deferred tax liabilities of RMB 5.4 million.

Trade and other payables increased by approximately RMB 21.7 million mainly due to the increase in business operations.

As at 30 June 2012, other current financial liabilities of RMB 42.4 million comprised of bank loans of RMB 34.0 million, third party loan of RMB 8.4 million and current portion of finance lease obligation of approximately RMB 72,000. The decreased of RMB 1.3 million from RMB 43.7 million as at 31 March 2012 was mainly due to the repayment to third party loan of RMB 1.2 million.

Other liabilities of RMB 2.4 million relate to the Group's advances from customers.

Deferred tax liabilities of RMB 5.4 million relate mainly to the deferred tax difference upon the finalisation of the PPA exercise in relation to the acquisition of Hebei Yinguang in 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)**

Balance sheet (Cont'd)

The current portion of the finance lease obligation of RMB 72,000 relates to a 7-year finance lease secured against a motor vehicle with net book value of approximately RMB 213,000 as at 30 June 2012, which bears effective interest rate of 6.61% per annum.

Cash flow

For the current quarter ended 30 June 2012, the Group has net cash from operating activities of approximately RMB 19.5 million, net cash used in investing activities of approximately RMB 3.8 million and net cash used in financing activities of approximately RMB 2.1 million.

The net cash from operating activities of approximately RMB 19.5 million as compared to approximately RMB 14.2 million during 1Q2012 was mainly due to the improvement in working capital and increase in sales revenue during the current quarter under review.

The net cash used in investing activities of approximately RMB 3.8 million was mainly due to the acquisition of property, plant and equipment for the construction of additional detonating cord production facilities.

The net cash used in financing activities of approximately RMB 2.1 million was mainly due to the repayment of third party loan and interest expenses.

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.**

Update on the additional detonating cords production facilities

Following our earlier announcements on the additional detonating cords production facilities to be built, the related construction work is on track as originally planned. The management targets to commence commercial operation of the new production facilities by April 2013.

The new production facilities will increase our detonating cords annual production capacity from 50 million meters to 80 million meters. Currently, our existing detonating cords facilities are operating at near-full production capacity.

According to the latest construction estimates, the initial planned investment of RMB 30.0 million may be increased by approximately RMB 8.0 million to RMB 38.0 million. The increase in construction costs is mainly due to the less-than-ideal land condition at the site whereby more foundation work is required to strengthen the ground base of the new production facilities. The management will continue to monitor the situation and update shareholders accordingly.

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 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.

In accordance with the agreement for the acquisition of the Property (the "Agreement"), the Group has since paid RMB 19.4 million to the Vendor. As of the date of this announcement, the Group has obtained all the legal rights on the property titles and land use rights. The lawyers are currently in the process of verifying all the relevant legal titles. Once the lawyers confirmed that all the legal titles are in order, the Group will pay the Vendor the remaining RMB 19.3 million in accordance with the Agreement.

The Group will also apply for bank loans of RMB 70.0 million in aggregate to be secured by the Property and shall pay to the Vendor the said RMB 70.0 million as and when the bank loans are received.

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

Update on raw materials price trend

As mentioned in our full year results announcement on 29 May 2012, 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 current financial year.

Together with other industry participants, we are currently in discussion with MIIT with regard 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 to our financial performance in FY2013.

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.

Moderate growth of China's economy

China's economy has experienced moderate growth over the past few quarters and while the Chinese government has initiated various stimulus projects to boost the economy, the slowdown of China's economy may affect the sales of our products.

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

New certifications awarded by the PRC authorities

Testament to the Group's emphasis on high safety standards and stringent product quality control, our subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology"), has been awarded two new certifications, namely the "Famous Trademark of China" (中国驰名商标牌) and the "Model Enterprise for National Safety Culture" (全国安全文化建设示范企业).

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. 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)	
		1Q2013	1Q2012	1Q2013	1Q2012
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	-	-
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	1,077	1,271	-	-
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	916	561	-	-
Shandong Yinguang Chemical Group Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	-	-	1,628	1,287
Dyno Nobel ⁽²⁾	Sales of commercial explosives	-	12,370	9,623	-

Footnotes:

⁽¹⁾ 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.

⁽²⁾ 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.

14. 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 1st 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
10 AUGUST 2012