



Fabchem China Limited

Company registration number: 200413128G

Financial Statements for the Third Quarter ended 31 December 2012 (“3Q2013”)

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

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

	Group			Group		
	3 months from 1 Oct 2012 to 31 Dec 2012 RMB'000	3 months from 1 Oct 2011 to 31 Dec 2011 RMB'000	Increase/ (Decrease) %	9 months from 1 Apr 2012 to 31 Dec 2012 RMB'000	9 months from 1 Apr 2011 to 31 Dec 2011 RMB'000	Increase/ (Decrease) %
Revenue	97,269	140,149	(30.6)	390,002	409,800	(4.8)
Cost of sales	(72,754)	(95,538)	(23.8)	(278,267)	(280,754)	(0.9)
Gross profit	24,515	44,611	(45.0)	111,735	129,046	(13.4)
<u>Other Items of Income</u>						
Interest income	150	146	2.7	529	565	(6.4)
Other credits – Note (i)	256	3,983	(93.6)	1,609	5,418	(70.3)
<u>Other Items of Expense</u>						
Distribution costs	(6,071)	(9,053)	(32.9)	(23,075)	(26,084)	(11.5)
Administrative expenses	(10,696)	(12,115)	(11.7)	(33,753)	(35,880)	(5.9)
Financial costs	(147)	(555)	(73.5)	(1,659)	(1,932)	(14.1)
Other charges– Note (ii)	(787)	(438)	79.7	(1,476)	(403)	266.3
Profit before income tax	7,220	26,579	(72.8)	53,910	70,730	(23.8)
Income tax expense	(2,996)	(7,336)	(59.2)	(21,482)	(20,307)	5.8
Profit attributable to shareholders	4,224	19,243	(78.0)	32,428	50,423	(35.7)
Note (i) – Other Credits						
Foreign exchange adjustment gain	-	-	-	-	69	N.M.
Gain on disposal of property, plant and equipment	83	3,957	(97.9)	71	3,815	(98.1)
Gain on disposal of land use rights	128	-	N.M.	128	-	N.M.
Government Grant	26	26	-.	1,386	1,440	(3.8)
Write back of allowance for impairment on trade receivables	19	-	N.M.	24	94	(74.5)
	256	3,983	(93.6)	1,609	5,418	(70.3)
Note (ii) – Other Charges						
Allowance for impairment on trade receivables	-	(403)	N.M.	-	(403)	N.M.
Foreign exchange adjustment loss	(203)	(35)	480.0	(892)	-	N.M.
Property, plant and equipment written off	(584)	-	N.M.	(584)	-	N.M.
	(787)	(438)	79.7	(1,476)	(403)	266.3

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

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

	Group			Group		
	3 months from 1 Oct 2012 to 31 Dec 2012 RMB'000	3 months from 1 Oct 2011 to 31 Dec 2011 RMB'000	Increase/(Decrease) %	9 months from 1 Apr 2012 to 31 Dec 2012 RMB'000	9 months from 1 Apr 2011 to 31 Dec 2011 RMB'000	Increase/(Decrease) %
Amortisation expenses	(901)	(455)	98.0	(2,704)	(1,367)	97.8
Allowance for impairment on trade receivables	-	(403)	N.M.	-	(403)	N.M.
Depreciation expenses	(4,962)	(4,011)	23.7	(15,170)	(12,294)	23.4
Foreign exchange adjustment (loss) / gain	(203)	(35)	480.0	(892)	69	(1392.8)
Gain on disposal of property, plant and equipment	83	3,957	(97.9)	71	3,815	(98.1)
Gain on disposal of land use rights	128	-	N.M.	128	-	N.M.
Interest expense	(147)	(555)	(73.5)	(1,659)	(1,932)	(14.1)
Interest income from bank deposits	150	146	2.7	529	565	(6.4)
Property, plant and equipment written off	(584)	-	N.M.	(584)	-	N.M.
Write back of allowance for impairment on trade receivables	19	-	N.M.	24	94	(74.5)

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.

	Group			Group		
	3 months from 1 Oct 2012 to 31 Dec 2012 RMB'000	3 months from 1 Oct 2011 to 31 Dec 2011 RMB'000	Increase/(Decrease) %	9 months from 1 Apr 2012 to 31 Dec 2012 RMB'000	9 months from 1 Apr 2011 to 31 Dec 2011 RMB'000	Increase/(Decrease) %
Profit attributable to shareholders	4,224	19,243	(78.0)	32,428	50,423	(35.7)
Foreign currency translation difference	-	(38)	N.M.	593	(498)	(219.1)
Total comprehensive income for the period	<u>4,224</u>	<u>19,205</u>	(78.0)	<u>33,021</u>	<u>49,925</u>	(33.9)

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

	Group		Company	
	31 December 2012 RMB'000	31 March 2012 RMB'000	31 December 2012 RMB'000	31 March 2012 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	259,613	234,404	212	248
Intangible assets	5,031	5,678	-	-
Other assets, non-current	93,230	97,754	-	-
Deferred tax assets	4,242	4,495	-	-
Investment in subsidiary	-	-	116,204	113,298
Total non-current assets	362,116	342,331	116,416	113,546
Current assets :				
Inventories	57,345	62,404	-	-
Trade and other receivables (Note 1)	125,408	124,268	19,044	41,828
Other assets , current	40,812	43,965	56	68
Cash and cash equivalents	130,548	103,143	906	217
Total current assets	354,113	333,780	20,006	42,113
Total assets	716,229	676,111	136,422	155,659
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	295,820	279,925	10,242	31,635
Other reserves	48,927	43,632	4,741	1,241
Total equity	461,596	440,406	131,832	149,725
Non-Current liabilities :				
Deferred tax liabilities	5,392	5,306	-	-
Other financial liabilities	-	7	-	7
Total non-current liabilities	5,392	5,313	-	7
Current liabilities :				
Income tax payable	2,903	981	-	-
Trade and other payables (Note 2)	172,612	183,078	4,560	5,840
Other financial liabilities, current	72,311	43,674	30	87
Other liabilities	1,415	2,659	-	-
Total current liabilities	249,241	230,392	4,590	5,927
Total liabilities	254,633	235,705	4,590	5,934
Total liabilities and equity	716,229	676,111	136,422	155,659
Note 1				
Trade receivables	117,959	119,508	-	-
Amount receivable from subsidiary	-	-	19,044	41,828
Tax recoverable	2,226	2,911	-	-
Other receivables	5,223	1,849	-	-
Trade and other receivables	125,408	124,268	19,044	41,828
Note 2				
Trade payables and accruals	97,939	67,605	4,406	5,692
Other payables	74,673	115,473	154	148
Trade and other payables	172,612	183,078	4,560	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)

31 December 2012		31 March 2012	
Secured	Unsecured	Secured	Unsecured
44,030	28,281	14,087	29,587

Amount repayable after one year

(RMB'000)

31 December 2012		31 March 2012	
Secured	Unsecured	Secured	Unsecured
-	-	7	-

Details of any collateral

As at 31 December 2012, the Group has secured borrowings comprising a 7-year finance lease of approximately RMB 30,000 for the purchase of a motor vehicle and secured short-term bank loans of RMB 44.0 million. Unsecured borrowings relate to a loan from a third party of RMB 8.3 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 192,000, and bears an effective interest rate of 6.61% per annum.

Secured short-term bank loans of RMB 14.0 million are secured using Hebei Yinguang Chemical Co., Ltd's ("Hebei Yinguang") land and buildings with net book value of approximately RMB 16.5 million and a corporate guarantee from Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang. The secured short-term bank loans' interest rate is 8.203% per annum.

Secured short-term bank loans of RMB 30.0 million are secured using Shandong Yinguang Technology Co., Ltd ("Yinguang Technology") land and buildings with net book value of approximately RMB 97.3 million. The secured short-term bank loans' interest rate is 5.88% 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 a 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		Group	
	3 months from 1 Oct 2012 to 31 Dec 2012 RMB'000	3 months from 1 Oct 2011 to 31 Dec 2011 RMB'000	9 months from 1 Apr 2012 to 31 Dec 2012 RMB'000	9 months from 1 Apr 2011 to 31 Dec 2011 RMB'000
Cash flows from operating activities				
Profit before income tax	7,175	26,579	53,910	70,730
Adjustments for :				
Amortisation expenses	901	455	2,704	1,367
Depreciation expense	4,962	4,011	15,170	12,294
Gain on disposal of property, plant and equipment	(83)	(3,957)	(71)	(3,815)
Gain on disposal of land use rights	(128)	-	(128)	-
Interest expenses	147	555	1,659	1,932
Interest income	(150)	(146)	(529)	(565)
Property, plant and equipment written off	584	-	584	-
Allowance for impairment on trade receivables	-	403	-	403
Write back of allowance for impairment on trade receivables	(19)	-	(24)	(94)
Net effect of exchange rate changes in translation of financial statements of Parent	-	(36)	587	(482)
Operating profit before working capital changes	13,389	27,864	73,862	81,770
Inventories	3,131	(5,824)	5,059	(3,599)
Trade and other receivables	31,849	1,127	1,184	(5,480)
Other assets	5,754	(22,181)	3,153	(17,500)
Trade and other payables	8,703	(8,645)	28,787	2,581
Other liabilities	(960)	(71)	(1,244)	445
Cash generated from / (used in) operations	61,866	(7,730)	110,801	58,217
Income tax paid	(3,651)	(6,460)	(18,536)	(17,878)
Net cash from / (used in) operating activities	58,215	(14,190)	92,265	40,339
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	83	6,068	111	6,502
Purchase of property, plant and equipment	(44,973)	(13,378)	(80,250)	(16,856)
Purchase of land use rights	-	-	(390)	-
Interest received	150	146	529	565
Net cash used in investing activities	(44,740)	(7,164)	(80,000)	(9,789)
Cash flows from financing activities				
Payment of dividends	-	-	(11,831)	(6,185)
Repayment of finance lease obligation	(23)	(21)	(64)	(70)
Increase in short-term bank loans	34,000	20,000	30,000	9,000
(Repayment) / Increase in third party loan	(78)	145	(1,306)	(4,786)
Interest paid	(147)	(555)	(1,659)	(1,932)
Net cash from / (used in) financing activities	33,752	19,569	15,140	(3,973)
Net increase / (decrease) in cash	47,227	(1,785)	27,405	26,577
Cash at beginning of the period	83,321	129,415	103,143	101,053
Cash at end of the period	130,548	127,630	130,548	127,630

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 exchange 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	-	3,765	-	(3,765)	-
Dividend paid	-	-	-	(11,831)	(11,831)
Total comprehensive income for the period	-	-	593	28,204	28,797
Balance at 30 September 2012	116,849	46,311	1,679	292,533	457,372
Appropriation for the period	-	937	-	(937)	-
Total comprehensive income for the period	-	-	-	4,224	4,224
Balance at 31 December 2012	116,849	47,248	1,679	295,820	461,596
Balance at 1 April 2011	116,849	37,567	1,344	231,074	386,834
Appropriation for the period	-	2,886	-	(2,886)	-
Dividend paid	-	-	-	(6,185)	(6,185)
Total comprehensive (loss)/income for the period	-	-	(460)	31,180	30,720
Balance at 30 September 2011	116,849	40,453	884	253,183	411,369
Appropriation for the period	-	1,281	-	(1,281)	-
Total comprehensive (loss)/income for the period	-	-	(38)	19,243	19,205
Balance at 31 December 2011	116,849	41,734	846	271,145	430,574

	Share capital	Foreign exchange translation reserve	Retained earnings/ (Accumulated losses)	Total
Company (RMB'000)				
Balance at 1 April 2012	116,849	1,241	31,635	149,725
Dividend paid	-	-	(11,831)	(11,831)
Total comprehensive income/(loss) for the period	-	3,479	(7,258)	(3,779)
Balance at 30 September 2012	116,849	4,720	12,546	134,115
Total comprehensive income/(loss) for the period	-	21	(2,304)	(2,283)
Balance at 31 December 2012	116,849	4,741	10,242	131,832
Balance at 1 April 2011	116,849	5,377	20,451	142,677
Dividend paid	-	-	(6,185)	(6,185)
Total comprehensive loss for the period	-	(6,371)	(6,595)	(12,966)
Balance at 30 September 2011	116,849	(994)	7,671	123,526
Total comprehensive loss for the period	-	(954)	(3,177)	(4,131)
Balance at 31 December 2011	116,849	(1,948)	4,494	119,395

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 at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not Applicable.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Group	
	31 December 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 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.

	Group		Group	
	3 months ended 31 Dec 2012	3 months ended 31 Dec 2011	9 months ended 31 Dec 2012	9 months ended 31 Dec 2011
	RMB cents	RMB cents	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	1.81	8.22	13.86	21.55
Weighted average number of ordinary shares in issue for basic earnings per share	234,000,000	234,000,000	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 issued share capital of the issuer at the end of the :-
- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	31 Dec 2012	31 March 2012	31 Dec 2012	31 March 2012
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued capital at the end of the financial year	197.26	188.21	56.34	63.99
Number of shares used 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 31 December 2012 ("3Q2013") decreased by approximately RMB 42.9 million or 30.6%, from RMB 140.1 million of the 3-month period ended 31 December 2011 ("3Q2012") to RMB 97.3 million in 3Q2013. The decrease in revenue during 3Q2013 was mainly attributed to the lower sales of ammonium nitrate, explosives devices and industrial detonators.

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 3Q2013 and 3Q2012 and between 9-month period ended 31 December 2012 ("9M2013") and the 9-month period ended 31 December 2011 ("9M2012") are as follows:

	3Q2013		3Q2012		% change
	RMB'000	%	RMB'000	%	
Explosives devices	29,074	29.9	37,112	26.5	(21.7)
Industrial fuse and initiating explosive devices	25,676	26.4	23,379	16.7	9.8
Industrial detonators	19,074	19.6	23,841	17.0	(20.0)
Ammonium Nitrate	23,092	23.7	55,611	39.7	(58.5)
Others ⁽¹⁾	353	0.4	206	0.1	71.4
	97,269	100.0	140,149	100.0	(30.6)

Within PRC	77,134	79.3	114,990	82.1	(32.9)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	2,743	2.8	3,779	2.7	(27.4)
Australia	15,966	16.4	19,930	14.2	(19.9)
Others	1,426	1.5	1,450	1.0	(1.7)
	20,135	20.7	25,159	17.9	(20.0)
	97,269	100.0	140,149	100.0	(30.6)

	9M2013		9M2012		% change
	RMB'000	%	RMB'000	%	
Explosives devices	122,669	31.5	98,614	24.1	24.4
Industrial fuse and initiating explosive devices	91,092	23.4	81,298	19.8	12.0
Industrial detonators	69,215	17.7	71,016	17.3	(2.5)
Ammonium Nitrate	105,859	27.1	158,415	38.7	(33.2)
Others ⁽¹⁾	1,167	0.3	457	0.1	155.4
	390,002	100.0	409,800	100.0	(4.8)
Within PRC	295,253	75.7	336,089	82.0	(12.2)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	18,949	4.8	11,393	2.8	66.3
Australia	63,049	16.2	47,590	11.6	32.5
Others	12,751	3.3	14,728	3.6	(13.4)
	94,749	24.3	73,711	18.0	28.5
	390,002	100.0	409,800	100.0	(4.8)

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.

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)

a) **Sales within PRC**

During 3Q2013, sales within PRC decreased by approximately RMB 37.9 million or 32.9% as compared to 3Q2012. The decrease was mainly attributed to the decreased in sales of ammonium nitrate of approximately RMB 32.5 million. Market-driven selling prices and sales volume of ammonium nitrate decreased by approximately 34.8% and 42.7%, respectively during 3Q2013 as compared to 3Q2012.

For the 9M2013, sales within PRC decreased by approximately RMB 40.8 million or 12.2% from RMB 336.1 million in 9M2012 to RMB 295.3 million in 9M2013, which was mainly due to decreased sales of ammonium nitrate by approximately RMB 52.6 million or 33.2% from RMB 158.4 million in 9M2012 to RMB 105.9 million in 9M2013.

Due to the slowdown in China's economy, mining and infrastructure development activities were affected, thus it has led to the weakening market conditions for explosive-grade ammonium nitrate. Our explosive-grade ammonium nitrate product is sold to explosives manufacturers which produced commercial explosives mainly for mining and infrastructure development activities.

Coupled together with softening market-driven selling prices, our sales of ammonium nitrate declined significantly. Market-driven selling prices and sales volume of ammonium nitrate decreased by approximately 23.1% and 18.2%, respectively during 9M2013 as compared to 9M2012.

b) **Sales through export distributors**

Sales through export distributors increased by approximately RMB 7.6 million or 66.3% during 9M2013 despite a decrease in sales of approximately RMB 1.0 million during 3Q2013.

The fluctuations in sales revenue were mainly due to the different shipping schedules determined by our customers.

c) **Sales to Australia**

During 3Q2013, sales to Australia decreased by approximately RMB 4.0 million or 19.9%. The decrease is mainly due to one less shipment during 3Q2013 as compared to 3Q2012.

During 9M2013, sales to Australia increased by approximately RMB 15.5 million or 32.5% mainly due to increased sales to Orica Australia of approximately RMB 10.1 million.

d) **Sales to other countries**

Sales to other countries decreased marginally by approximately RMB 24,000 or 1.7% during 3Q2013 and RMB 2.0 million or 13.4% during 9M2013.

The fluctuations in sales revenue were mainly due to the different shipping schedules determined by our customers.

All domestic PRC sales contracts and export applications sought by export agents have been approved by the Ministry of Industry and Information Technology, Department of Work Safety ("MIIT").

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

During 3Q2013 and 9M2013, the Group's gross profit margins dipped by approximately 6.6%, from 31.8% in 3Q2012 to 25.2% in 3Q2013 and 2.9% from 31.5% in 9M2012 to 28.6% in 9M2013. The lower gross profit margins were mainly attributed to the lower market-driven selling prices for ammonium nitrate and the rising raw materials costs during the current financial period under review.

The market-driven selling prices of ammonium nitrate decreased by approximately 23.1% during 9M2013 as compared to 9M2012.

Interest income / (Finance costs)

For 3Q2013, interest income increased marginally by approximately RMB 4,000 or 2.7%. For 9M2013, interest income decreased marginally by RMB 36,000 or 6.4%.

For 3Q2013 and 9M2013, finance costs decreased by RMB 0.4 million or 73.5% and RMB 0.3 million or 14.1% respectively. The decrease was mainly due to certain interest expenses capitalised to construction in progress in relation to the construction of the new ammonium nitrate production facilities.

Other credits / (Other charges)

For 3Q2013, other credits relate to gain on disposal of property, plant and equipment of approximately RMB 83,000, gain on disposal of land use rights of RMB 128,000, a government grant of RMB 26,000 and a write back of allowance for impairment on trade receivables of RMB 19,000. For 9M2013, other credits relate to gain on disposal of property, plant and equipment of approximately RMB 71,000, gain on disposal of land use rights of RMB 128,000, government grants of RMB 1.4 million issued mainly by Hebei Province, Linxi County's government for our subsidiary, Hebei Yinguang and write-back of allowance for impairment on trade receivables of RMB 24,000.

Gain on disposal of land use rights relates to a piece of land belonging to our subsidiary, Hebei Yinguang which was used as dormitory for its workers. The said land had been repossessed by Hebei Province, Linxi County's government for re-development into a high-rise residential property.

Other charges relate to foreign exchange adjustment loss and property, plant and equipment written off of approximately RMB 584,000.

Foreign exchange adjustment gain/(losses) arose mainly from foreign exchange rate fluctuation among Renminbi (RMB), United States Dollar (US\$) and Singapore Dollars (S\$).

Operating expenses

In line with the decrease in sales revenue, distribution costs decreased by approximately RMB 3.0 million or 32.9% to RMB 6.1 million in 3Q2013 from RMB 9.1 million in 3Q2012.

Administrative expenses also decreased by approximately RMB 1.4 million or 11.7% to RMB 10.7 million in 3Q2013 from RMB 12.1 million in 3Q2012.

For 9M2013, distribution costs decreased by approximately RMB 3.0 million or 11.5% from 9M2012's RMB 26.1 million to 9M2013's RMB 23.1 million and administrative expenses also decreased by approximately RMB 2.1 million or 5.9% from 9M2012's RMB 35.9 million to 9M2013's RMB 33.8 million. The decrease in operating expenses was mainly attributed to the decrease in sales revenue.

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 3Q2013 and 9M2013 was 41.5% and 39.8% respectively (3Q2012: 27.6% ; 9M2012: 28.7%). This is higher than the PRC concessionary tax rate of 25.0% mainly due to the non-deductible expenses and under-provision of tax for prior years of approximately RMB 5.0 million for 9M2013.

Balance sheet

Property, plant and equipment increased by approximately RMB 25.2 million, mainly due to the acquisition of property, plant and equipment for the detonating cords and boosters expansion/upgrading plans, partially offset by the depreciation charged for the current period under review.

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, performed in accordance with the Singapore Financial Reporting Standards. Intangible assets decreased by approximately RMB 0.6 million mainly due to the amortisation charges during the current period under review.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 4.5 million mainly due to the disposal of land use rights of net book value of approximately RMB 2.9 million, and the amortisation charges during the current period under review of approximately RMB 2.1 million.

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 16.2%, 35.4%, 11.5% and 36.9% respectively of our total current assets as at 31 December 2012.

Inventories decreased by approximately RMB 5.1 million or 8.1% to RMB 57.3 million as at 31 December 2012, as compared to RMB 62.4 million as at 31 March 2012. The decrease was mainly due to the decrease in finished goods.

Trade and other receivables increased marginally by approximately RMB 1.1 million or 0.9% to RMB 125.4 million as at 31 December 2012 mainly due to improved trade receivables collections and lower sales revenue registered during the current financial period under review.

Other assets, current comprising the Group's prepayments, decreased by approximately RMB 3.2 million or 7.2% to RMB 40.8 million as at 31 December 2012.

As at 31 December 2012, our current liabilities comprised of income tax payable of RMB 2.9 million, trade and other payables of approximately RMB 172.6 million, other current financial liabilities of approximately RMB 72.3 million and other liabilities of RMB 1.4 million. Non-current liabilities comprised of deferred tax liabilities of RMB 5.4 million.

Trade payables and accruals increased by approximately RMB 30.0 million mainly due to the increase in payables to suppliers. Other payables decreased by approximately RMB 40.8 million mainly due to the payment of RMB 39.3 million to a related party for the acquisition of land and buildings. Out of the RMB 39.3 million payment, RMB 19.3 million was paid out from internally generated funds, while the remaining RMB 20.0 million was paid out of bank loan secured by the said land and buildings.

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

Balance sheet (Cont'd)

As at 31 December 2012, other current financial liabilities of RMB 72.3 million comprised of bank loans of RMB 64.0 million, third party loan of RMB 8.3 million and current portion of finance lease obligation of approximately RMB 30,000. The increment of RMB 28.6 million in other current financial liabilities, from RMB 43.7 million as at 31 March 2012 was mainly due to the increase in bank loans amounting to RMB 30.0 million partially offset by the repayment to third party loan of RMB 1.3 million. Additional bank loans of RMB 30.0 million were secured using the newly acquired land and buildings from a related party, and RMB 20.0 million of this additional loan has been repaid to the related party in December 2012. The balance of RMB 10.0 million was repaid to the related party in January 2013.

Other liabilities of RMB 1.4 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.

The current portion of the finance lease obligation of RMB 30,000 relates to a 7-year finance lease secured against a motor vehicle with net book value of approximately RMB 192,000 as at 31 December 2012, which bears an effective interest rate of 6.61% per annum.

Cash flow

For the 3 months ended 31 December 2012, the Group recorded net cash from operating activities of approximately RMB 58.2 million, net cash used in investing of approximately RMB 44.7 million and net cash from financing activities of approximately RMB 33.8 million.

For the current 9 months ended 31 December 2012, the Group recorded net cash generated from operating activities of approximately RMB 92.3 million, net cash used in investing activities of approximately RMB 80.0 million and net cash from financing activities of approximately RMB 15.1 million.

The net cash from operating activities during 3Q2013 and 9M2013 of approximately RMB 58.2 million and RMB 92.3 million was mainly due to improved debtors' recoverability, lower prepayment for bulk purchase of raw materials and slower payment to creditors.

The cash outflow in investing activities for 3Q2013 and 9M2013 was mainly due to the purchase of property, plant and equipment for the detonating cords and boosters expansion/upgrading projects and the cash payment of RMB 20.0 million to a related party for the acquisition of land and building.

The net cash inflow from financing activities for 3Q2013 and 9M2013 was mainly due to the increase in short-term bank loan of RMB 34.0 million and RMB 30.0 million respectively. The additional bank loans of RMB 30.0 million were secured using the newly acquired land and buildings purchased from a related party. RMB 20.0 million of such amount has been repaid to the related party in December 2012. The balance of RMB 10.0 million was repaid to the related party in January 2013.

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

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

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Update on the additional detonating cords production facilities

Following our earlier announcements on the additional detonating cords production facilities 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.

The management will continue to monitor the construction progress and update shareholders accordingly.

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

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

During 3Q2013, the Group had obtained bank loans secured by the Property amounting to RMB 30.0 million, out of which RMB 20.0 million was repaid to the Vendor during 3Q2013 and RMB 10.0 was repaid in January 2013.

As at 31 December 2012, the Group has made a total payment of RMB 58.7 million to the Vendor in accordance with the Agreement.

The Group is in the process of obtaining the remaining bank loans of RMB 40.0 million in aggregate to be secured by the Property and shall pay to the Vendor the said RMB 40.0 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 previous announcements, the Group has encountered a rise in raw materials prices (such as PETN and RDX) over the last few financial years, and it is expected that this trend may continue in the current financial year.

Together with other industry participants, we are currently in discussion with MIIT with regards to transferring the increase of raw materials cost via higher selling prices of our products. In the event that the increased raw material costs cannot be transferred via higher selling prices, it may likely have a significant impact 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 the Chinese government has initiated various stimulus projects to boost the economy. While China is the world's biggest user and producer of coal and the country relies on coal for about 70% of its energy needs, the slowdown of China's economy may affect coal mining activities. A significant portion of our products sales is largely dependent on such activities, hence even though energy is consumed on a recurring basis, a dip in domestic mining activities may affect our financial performance.

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

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

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 transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		3Q2013	3Q2012	3Q2013	3Q2012
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	894	1,270	-	-
Shandong Yinguang Commerical Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	395	537	-	-
Shandong Yinguang Chemical Group Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	-	-	-	1,731
Dyno Nobel ⁽²⁾	Sales of commercial explosives	-	1,385	2,689	2,931
		9M2013	9M2012	9M2013	9M2012
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	3,873	3,269	-	-
Shandong Yinguang Commerical Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	1,887	1,546	-	-
Shandong Yinguang Chemical Group Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	402	-	1,712	3,585
Dyno Nobel ⁽²⁾	Sales of commercial explosives	-	14,698	24,722	2,931

Footnote:

⁽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(5) 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 3rd 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
1 FEBRUARY 2013**