



Fabchem China Limited

Company registration number: 200413128G

Financial Statements for the Third Quarter ended 31 December 2014 (“3Q2015”)

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 2014 to 31 Dec 2014 RMB'000	3 months from 1 Oct 2013 to 31 Dec 2013 RMB'000	Increase/ (Decrease) %	9 months from 1 Apr 2014 to 31 Dec 2014 RMB'000	9 months from 1 Apr 2013 to 31 Dec 2013 RMB'000	Increase/ (Decrease) %
Revenue	99,413	94,155	5.6%	308,147	314,725	(2.1%)
Cost of sales	(68,828)	(68,987)	(0.2%)	(212,095)	(237,702)	(10.8%)
Gross profit	30,585	25,168	21.5%	96,052	77,023	24.7%
<u>Other Items of Income</u>						
Interest income	221	150	47.3%	871	529	64.7%
Other credits – Note (i)	532	257	107.0%	1,538	1,004	53.2%
<u>Other Items of Expense</u>						
Distribution costs	(7,980)	(7,182)	11.1%	(23,704)	(22,615)	4.8%
Administrative expenses	(10,310)	(11,009)	(6.3%)	(31,788)	(31,755)	0.1%
Financial costs	(1,688)	(1,700)	(0.7%)	(6,082)	(5,094)	19.4%
Other charges– Note (ii)	(4,839)	(1,355)	257.1%	(4,839)	(1,286)	276.3%
Profit before income tax	6,521	4,329	50.6%	32,048	17,806	80.0%
Income tax expense	(3,731)	(3,630)	2.8%	(13,919)	(9,730)	43.1%
Profit attributable to shareholders	2,790	699	299.1%	18,129	8,076	124.5%
Note (i) – Other Credits						
Foreign exchange adjustment gain	302	201	50.2%	978	413	136.8%
Government Grant	230	45	411.1%	557	575	(3.1%)
Write back of allowance for impairment on trade receivables	-	11	N.M.	3	16	(81.3%)
	<u>532</u>	<u>257</u>	<u>107.0%</u>	<u>1,538</u>	<u>1,004</u>	<u>53.2%</u>
Note (ii) – Other Charges						
Allowance for impairment on trade receivables	(4,779)	-	N.M.	(4,779)	-	N.M.
Bad debts written-off	-	-	-	-	(5)	N.M.
Inventories written-off	(19)	-	N.M.	(19)	-	N.M.
Loss on disposal of property, plant and equipment	-	(1,355)	N.M.	-	(1,281)	N.M.
Property, plant and equipment written off	(41)	-	N.M.	(41)	-	N.M.
	<u>(4,839)</u>	<u>(1,355)</u>	<u>257.1%</u>	<u>(4,839)</u>	<u>(1,286)</u>	<u>276.3%</u>

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 2014 to 31 Dec 2014 RMB'000	3 months from 1 Oct 2013 to 31 Dec 2013 RMB'000	Increase/(Decrease) %	9 months from 1 Apr 2014 to 31 Dec 2014 RMB'000	9 months from 1 Apr 2013 to 31 Dec 2013 RMB'000	Increase/(Decrease) %
Amortisation expenses	(933)	(799)	16.8	(2,794)	(2,593)	7.8
Bad debts written-off	-	-	-	-	(5)	N.M.
Depreciation expenses	(5,034)	(5,150)	(2.3)	(14,887)	(15,213)	(2.1)
Foreign exchange adjustment gain	302	201	50.2	978	413	136.8
Loss on disposal of property, plant and equipment	-	(1,355)	N.M.	-	(1,281)	N.M.
Interest expense	(1,688)	(1,700)	(0.7)	(6,082)	(5,094)	19.4
Interest income from bank deposits	221	150	47.3	871	529	64.7
Inventories written-off	(19)	-	N.M.	(19)	-	N.M.
Property, plant and equipment written off	(41)	-	N.M.	(41)	-	N.M.
Allowance for impairment on trade receivables	(4,779)	-	N.M.	(4,779)	-	N.M.
Write back of allowance for impairment on trade receivables	-	11	N.M.	3	16	(81.3)

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 2014 to 31 Dec 2014 RMB'000	3 months from 1 Oct 2013 to 31 Dec 2013 RMB'000	Increase/(Decrease) %	9 months from 1 Apr 2014 to 31 Dec 2014 RMB'000	9 months from 1 Apr 2013 to 31 Dec 2013 RMB'000	Increase/(Decrease) %
Profit attributable to shareholders	2,790	699	299.1	18,129	8,076	124.5
Foreign currency translation difference	(172)	(247)	(30.4)	(220)	(1,409)	(84.4)
Total comprehensive income for the period	<u>2,618</u>	<u>452</u>	479.2	<u>17,909</u>	<u>6,667</u>	168.6

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 2014 RMB'000	31 March 2014 RMB'000	31 December 2014 RMB'000	31 March 2014 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	241,936	243,687	140	232
Intangible assets	3,307	3,953	-	-
Other assets, non-current	90,847	90,977	-	-
Investment in subsidiary	-	-	104,698	110,386
Deferred tax assets	3,791	3,183	-	-
Total non-current assets	339,881	341,800	104,838	110,618
Current assets :				
Inventories	55,281	63,874	-	-
Trade and other receivables (Note 1)	86,672	90,006	5,355	16,167
Other assets, current	8,489	7,724	117	142
Cash and cash equivalents	177,595	99,473	1,038	600
Total current assets	328,037	261,077	6,510	16,909
Total assets	667,918	602,877	111,348	127,527
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	206,524	194,706	(715)	9,720
Other reserves	86,000	82,211	(8,434)	(2,527)
Total equity	409,373	393,766	107,700	124,042
Non-Current liabilities :				
Deferred tax liabilities	4,125	3,781	-	-
Total non-current liabilities	4,125	3,781	-	-
Current liabilities :				
Income tax payable	3,585	689	-	-
Trade and other payables (Note 2)	140,928	108,798	3,648	3,485
Other financial liabilities, current	105,670	90,172	-	-
Other liabilities	4,237	5,671	-	-
Total current liabilities	254,420	205,330	3,648	3,485
Total liabilities	258,545	209,111	3,648	3,485
Total liabilities and equity	667,918	602,877	111,348	127,527
Note 1				
Trade receivables	82,539	85,591	-	-
Amount receivable from subsidiary	-	-	5,355	16,167
Tax recoverable	3,439	3,439	-	-
Other receivables	694	976	-	-
Trade and other receivables	86,672	90,006	5,355	16,167
Note 2				
Trade payables and accruals	115,852	83,737	3,449	3,171
Other payables	25,076	25,061	199	314
Trade and other payables	140,928	108,798	3,648	3,485

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 2014		31 March 2014	
Secured	Unsecured	Secured	Unsecured
67,500	38,170	62,000	28,172

Amount repayable after one year

(RMB'000)

31 December 2014		31 March 2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 December 2014, the Group has secured borrowings comprising secured short-term loans from financial institutions of RMB 67.5 million. Unsecured borrowings relates to a loan from a third party of RMB 8.2 million and short-term loans from financial institutions of RMB 30.0 million.

Secured short-term bank loans of RMB 67.5 million are secured using Shandong Yinguang Technology Co., Ltd's ("Yinguang Technology") land and buildings with net book value of approximately RMB 90.2 million. The secured short-term bank loans' interest rates ranged from 6.048% to 6.48% per annum.

Unsecured borrowing of RMB 8.2 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd. Unsecured short-term bank loan of RMB 30.0 million is guaranteed by a corporate guarantee from Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Chemical Group"), the former holding company of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), and bear interest rate of 7.5% 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 2014 to 31 Dec 2014 RMB'000	3 months from 1 Oct 2013 to 31 Dec 2013 RMB'000	9 months from 1 Apr 2014 to 31 Dec 2014 RMB'000	9 months from 1 Apr 2013 to 31 Dec 2013 RMB'000
Cash flows from operating activities				
Profit before income tax	7,621	4,329	32,048	17,806
Adjustments for :				
Amortisation expenses	933	799	2,794	2,593
Bad debts written-off	-	-	-	5
Depreciation expense	5,034	5,150	14,887	15,213
Loss/(Gain) on disposal of property, plant and equipment	-	1,355	-	1,281
Inventories written-off	19	-	19	-
Allowance for impairment on trade receivables	4,779	-	4,779	-
Interest expenses	1,688	1,700	6,082	5,094
Interest income	(221)	(150)	(871)	(529)
Provision for safety expenses	1,032	1,267	3,346	4,140
Property, plant and equipment written off	41	-	41	-
Write back of allowance for impairment on trade receivables	-	(11)	(3)	(16)
Net effect of exchange rate changes in translation of financial statements of Parent	(166)	(243)	(212)	(1,400)
Operating profit before working capital changes	20,760	14,196	62,910	44,187
Inventories	9,394	(18,271)	8,574	2,440
Trade and other receivables	(5,662)	13,916	(1,442)	26,970
Other assets	1,027	8,677	(765)	7,424
Trade and other payables	(495)	4,688	28,784	(23,401)
Other liabilities	458	559	(1,434)	627
Cash generated from operations	25,482	23,765	96,627	58,247
Income tax paid	(5,167)	(6,806)	(11,287)	(12,737)
Net cash from operating activities	20,315	16,959	85,340	45,510
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	-	345	-	437
Proceeds from sale of land use rights	-	-	-	2,985
Purchase of property, plant and equipment	(4,814)	(9,391)	(13,185)	(34,227)
Purchase of land use rights	-	-	(2,018)	-
Interest received	221	150	871	529
Net cash used in investing activities	(4,593)	(8,896)	(14,332)	(30,276)
Cash flows from financing activities				
Payment of dividends	-	-	(2,302)	(7,919)
Repayment of finance lease obligation	-	-	-	(7)
Proceeds from bank borrowings	-	-	119,500	118,000
Repayment of borrowings	(2)	-	(104,002)	(102,073)
Interest paid	(1,668)	(1,700)	(6,082)	(5,094)
Net cash (used in) / from financing activities	(1,690)	(1,700)	7,114	2,907
Net increase in cash	14,032	6,363	78,122	18,141
Cash at beginning of the period	163,563	131,789	99,473	120,011
Cash at end of the period	177,595	138,152	177,595	138,152

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	Capital reserve	Foreign exchange translation reserves	Retained earnings	Total
Group (RMB'000)						
Balance at 1 April 2014	116,849	37,981	44,000	230	194,706	393,766
Appropriation for the period	-	2,844	-	-	(2,844)	-
Dividend paid	-	-	-	-	(2,302)	(2,302)
Total comprehensive (loss)/ income for the period	-	-	-	(48)	15,339	15,291
Balance at 30 September 2014	116,849	40,825	44,000	182	204,899	406,755
Appropriation for the period	-	1,165	-	-	(1,165)	-
Total comprehensive (loss)/ income for the period	-	-	-	(172)	2,790	2,618
Balance at 31 December 2014	116,849	41,990	44,000	10	206,524	409,373
Balance at 1 April 2013	116,849	35,009	44,000	1,392	263,139	460,389
Appropriation for the period	-	1,674	-	-	(1,674)	-
Dividend paid	-	-	-	-	(7,919)	(7,919)
Total comprehensive (loss)/ income for the period	-	-	-	(1,162)	7,377	6,215
Balance at 30 September 2013	116,849	36,683	44,000	230	260,923	458,685
Appropriation for the period	-	1,223	-	-	(1,223)	-
Total comprehensive (loss)/ income for the period	-	-	-	(247)	699	452
Balance at 31 December 2013	116,849	37,906	44,000	(17)	260,399	459,137
		Share capital	Foreign exchange translation reserve	Retained earnings/ (Accumulated losses)	Total	
Company (RMB'000)						
Balance at 1 April 2014		116,849	(2,527)	9,720	124,042	
Dividend paid		-	-	(2,302)	(2,302)	
Total comprehensive loss for the period		-	(1,583)	(5,783)	(7,366)	
Balance at 30 September 2014		116,849	(4,110)	1,635	114,374	
Total comprehensive loss for the period		-	(4,324)	(2,350)	(6,674)	
Balance at 31 December 2014		116,849	(8,434)	(715)	107,700	
Balance at 1 April 2013		116,849	2,271	27,299	146,419	
Dividend paid		-	-	(7,919)	(7,919)	
Total comprehensive loss for the period		-	(4,956)	(4,044)	(9,000)	
Balance at 30 September 2013		116,849	(2,685)	15,336	129,500	
Total comprehensive loss for the period		-	(1,858)	(2,239)	(4,097)	
Balance at 31 December 2013		116,849	(4,543)	13,097	125,403	

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 2014	31 March 2014
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 2014	3 months ended 31 Dec 2013	9 months ended 31 Dec 2014	9 months ended 31 Dec 2013
	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	1.19	0.30	7.75	3.45
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 2014	31 March 2014	31 Dec 2014	31 March 2014
	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	174.95	168.28	46.03	53.01
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 2014 ("3Q2015") increased by approximately RMB 5.3 million or 5.6%, from RMB 94.2 million for the 3-month period ended 31 December 2013 ("3Q2014") to RMB 99.4 million in 3Q2015. The increase in revenue during 3Q2015 was mainly attributed to the higher sales of boosters and industrial fuse and initiating explosives devices.

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 3Q2015 and 3Q2014 and between 9-month period ended 31 December 2014 ("9M2015") and the 9-month period ended 31 December 2013 ("9M2014") are as follows:

	3Q2015		3Q2014		% change
	RMB'000	%	RMB'000	%	
Explosives devices	48,350	48.6	26,619	28.3	81.6
Industrial fuse and initiating explosive devices	25,257	25.4	21,917	23.3	15.2
Industrial detonators	18,358	18.5	23,078	24.5	(20.5)
Ammonium Nitrate	7,406	7.4	22,080	23.4	(66.5)
Others ⁽¹⁾	42	0.1	461	0.5	(90.9)
	99,413	100.0	94,155	100.0	5.6
Within PRC	55,863	56.2	70,685	75.1	(21.0)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	12,136	12.2	3,011	3.2	303.1
Australia	27,768	27.9	17,346	18.4	60.1
Others	3,646	3.7	3,113	3.3	17.1
	43,550	43.8	23,470	24.9	85.6
	99,413	100.0	94,155	100.0	5.6
	9M2015		9M2014		% change
	RMB'000	%	RMB'000	%	
Explosives devices	124,900	40.5	91,522	29.1	36.5
Industrial fuse and initiating explosive devices	85,751	27.8	76,355	24.3	12.3
Industrial detonators	60,479	19.6	72,161	22.9	(16.2)
Ammonium Nitrate	36,548	11.9	74,225	23.6	(50.8)
Others ⁽¹⁾	469	0.2	462	0.1	1.5
	308,147	100.0	314,725	100.0	(2.1)
Within PRC	194,063	63.0	230,875	73.3	(15.9)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	14,088	4.6	12,664	4.0	11.2
Australia	88,518	28.7	64,365	20.5	37.5
Others	11,478	3.7	6,821	2.2	68.3
	114,084	37.0	83,850	26.7	36.1
	308,147	100.0	314,725	100.0	(2.1)

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 3Q2015, sales within PRC decreased by approximately RMB 14.8 million or 21.0% as compared to 3Q2014. The decrease was mainly attributed to the lower PRC sales of ammonium nitrate of approximately RMB 14.7 million and industrial detonators of approximately RMB 4.5 million, partially offset by the higher PRC sales of explosives devices and industrial fuse and initiating explosive devices.

For the 9M2015, sales within PRC decreased by approximately RMB 36.8 million or 15.9% from RMB 230.9 million in 9M2014 to RMB 194.1 million in 9M2015. The decrease in sales within PRC was mainly due to lower sales of ammonium nitrate by approximately RMB 37.7 million and industrial detonators of approximately RMB 8.2 million.

The market-driven selling prices of explosive-grade ammonium nitrate continued to experience downward pressure, which severely affected the financial performance of our ammonium nitrate business activities. In order to mitigate the impact from the declining market selling price and increasing raw materials cost, Hebei Yinguang controlled and limited the production and sales of its ammonium nitrate during the period under review.

b) **Sales through export distributors**

During 3Q2015 and 9M2015, sales through export distributors increased by approximately RMB 9.1 million or 303.1% and RMB 1.4 million or 11.2%, respectively. The increment is mainly due to the increase in sales of boosters to South Africa through an export distributor.

c) **Sales to Australia**

During 3Q2015, sales to Australia increased by approximately RMB 10.4 million or 60.1% mainly due to higher sales to Orica Australia.

During 9M2014, sales to Australia increased by approximately RMB 24.2 million or 37.5% mainly due to increased sales to Orica Australia of approximately RMB 22.6 million and Dyno Nobel Australia of approximately RMB 9.8 million, partially offset by the decrease in sales to Beston Australia by approximately RMB 8.3 million.

d) **Sales to other countries**

Sales to other countries increased marginally by approximately RMB 0.5 or 17.1% during 3Q2015. For 9M2015, sales to other countries increased by approximately RMB 4.7 million or 68.3%.

The increment is mainly due to higher sales to other countries, namely Indonesia, Mongolia and Kyrgyzstan.

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 3Q2015, the Group's gross profit margins improved by 4.1 percentage points from 26.7% in 3Q2014 to 30.8% in 3Q2015. During 9M2015, the Group's gross profit margin increased by approximately 6.7 percentage points, from 24.5 % in 9M2014 to 31.2% in 9M2015.

Overall, the improvement in the Group's gross profit margin in 6M2015 was mainly attributed to the change in the Group's product sales mix as the sales of ammonium nitrate, accounts for the lowest gross margin among the four product segments, had reduced significantly.

Interest income / (Finance costs)

For 3Q2015 and 9M2015, interest income increased by approximately RMB 71,000 and RMB 342,000, respectively, mainly due to higher average bank deposits during the current period under review.

For 3Q2015, finance costs remained relatively constant as there was no material fluctuations in our bank loans during the period under review. For 9M2015, finance costs increased by approximately RMB 1.0 million mainly due to the higher bank loans recorded during the current period under review.

Other credits / (Other charges)

For 3Q2015, other credits relate to foreign exchange adjustment gain of RMB 302,000 and government grants of approximately RMB 230,000. For 3Q2014, other credits relate to foreign exchange adjustment gain of approximately RMB 201,000, government grant of RMB 45,000 and a write back of allowance for impairment on trade receivables of approximately RMB 11,000.

For 9M2015, other credits relate to foreign exchange adjustment gain of approximately RMB 978,000, government grants of RMB 557,000 and write-back of allowance for impairment on trade receivables of RMB 3,000. For 9M2014, other credits relate to foreign exchange adjustment gain of approximately RMB 413,000, government grant of RMB 575,000 and write back of allowance for impairment on trade receivables of approximately RMB 16,000.

The government grants were issued by Shandong Province, Fei County's government entities for our subsidiaries on an ad hoc basis. Foreign exchange adjustment gain arose mainly from foreign exchange rate fluctuation among Renminbi (RMB), United States Dollar (US\$) and Singapore Dollars (S\$).

For 3Q2015 and 9M2015, other charges relate to allowance for impairment on trade receivables of approximately RMB 4.8 million, inventories written-off of RMB 19,000 and property, plant and equipment written-off of RMB 41,000. A review on the inventories and property, plant and equipment are carried out as of 31 December 2014 and items of obsolescence are written-off accordingly.

For 3Q2014, other charge relates to a loss on disposal of property, plant and equipment of approximately RMB 1.4 million. For 9M2014, other charges relates to bad debts written-off of RMB 5,000 and loss on disposal of property, plant and equipment of approximately RMB 1.3 million. The loss on disposal is mainly due to the disposal of unused or retired machineries in December 2013.

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)**

Operating expenses

For 3Q2015, distribution costs increased in line with the increase in sales activities, while administrative expenses decreased by RMB 0.7 million due to improved control over our admin expenses.

For 9M2014, distribution costs and administrative expenses remained relatively stable as compared to the previous corresponding period.

Income tax expenses

The effective tax rate for 3Q2015 and 9M2015 was 57.2% and 43.4% respectively (3Q2014: 83.9% ; 9M2014: 54.6%). This is higher than the PRC concessionary tax rate of 25.0% mainly due to the loss-making position of Hebei Yinguang and the non-deductible expenses of the Group.

Balance sheet

Property, plant and equipment decreased by approximately RMB 1.8 million, mainly due to the depreciation charged for the current period under review of approximately RMB 14.9 million, which was partially offset by the acquisition of property, plant and equipment for the boosters upgrading project.

Intangible assets comprise of the Group's licences and customer relationships which arose during the purchase price allocation ("PPA") exercise for the acquisition of Hebei Yinguang during FY2010, performed in accordance with the Singapore Financial Reporting Standards. Intangible assets decreased by approximately RMB 0.6 million 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 0.1 million mainly due to the amortisation charges of approximately RMB 2.1 million recognized during the current period under review, which was partially offset by the payment for land use rights of approximately RMB 2.0 million.

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

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 16.9%, 26.4%, 2.6% and 54.1% respectively of our total current assets as at 31 December 2014.

Inventories decreased by approximately RMB 8.6 million or 13.5% to RMB 55.3 million as at 31 December 2014, as compared to RMB 63.9 million as at 31 March 2014, which was mainly due to the decrease in raw materials and finished goods.

During the current period under review, trade receivables decreased marginally by approximately RMB 3.1 million or 3.6%.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 0.8 million or 9.9% to RMB 8.5 million as at 31 December 2014. The increment is mainly due to the increase in prepayments for raw materials.

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 2014, our current liabilities comprised of income tax payable of RMB 3.6 million, trade and other payables of approximately RMB 140.9 million, other current financial liabilities of approximately RMB 105.7 million and other liabilities of RMB 4.2 million. Non-current liabilities comprised of deferred tax liabilities of RMB 4.1 million.

Trade payables and accruals increased by approximately RMB 32.1 million mainly due to better management of repayment to creditors.

As at 31 December 2014, other current financial liabilities of RMB 105.7 million comprised of bank loans of RMB 97.5 million and third party loan of RMB 8.2 million. The increment of RMB 15.5 million from RMB 90.2 million in bank loans as at 31 March 2014 was mainly due to the additional drawdowns by the Group during 1Q2015 upon repayment before 31 March 2014. Adhering to the customary banking practices in the PRC, the Group's bank loans are for a period of one year or less.

Other liabilities of RMB 4.2 million relate to the Group's advances from customers.

Deferred tax liabilities of RMB 4.1 million relate mainly to the deferred tax difference upon the finalisation of the PPA exercise in relation to the acquisition of Hebei Yinguang in 2008 and the deferred tax liabilities for the withholding tax on dividend payable by our subsidiary in China.

Cash flow

For 3Q2015, the Group generated net cash from operating activities of approximately RMB 20.3 million, net cash used in investing activities of approximately RMB 4.6 million and net cash used in financing activities of approximately RMB 1.7 million.

For 9M2015, the Group generated net cash from operating activities of approximately RMB 85.3 million, net cash used in investing activities of RMB 14.3 million and net cash from financing activities of approximately RMB 7.1 million.

The net cash from operating activities for 3Q2015 and 9M2015 was mainly due to faster trade receivables collections and better management of repayment to creditors.

The net cash used in investing activities was mainly due to the acquisition of property, plant and equipment for the upgrading of boosters production facilities and the payment for land use rights, which was partially offset by the interest income received.

The net cash used in financing activities during 3Q2015 was mainly due to the payment of interest of RMB 1.7 million. The net cash from financing activities during 9M2015 was mainly due to the net increase in bank loans by RMB 15.5 million, which was partially offset by the payment of dividends 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. The current third quarter results for the period ended 31 December 2014 are in line with the Company's commentary on the ammonium nitrate product segment as disclosed under paragraph 10 of the second quarter results announcement for the period ended 30 September 2014.

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 new ammonium nitrate production facilities

Following our earlier announcements on the new ammonium nitrate production facilities, the construction of the new facilities remained halted due to the negative market outlook for the demand of ammonium nitrate.

In light of the weak market conditions for ammonium nitrate, this product segment is projected to continue to experience an operating loss.

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

Removal of controlled selling price in the commercial explosive market by Chinese regulators

Subsequent to the annual China's commercial explosive industry conference in December 2014, the Chinese regulators announced the removal of controlled market prices of commercial explosives products and commercial explosives manufacturers will be able to set the selling prices on a willing-buyer willing-seller basis. Hence, the domestic PRC market will be opened up to allow commercial explosives products that are manufactured domestically to be marketed and transacted freely within the domestic market.

In response to this new industry development, our subsidiary, Yinguang Technology has reorganised our sales and marketing teams and we are closely monitoring the business situation so as to re-align our marketing efforts accordingly. The management is of the view that these new changes will not have any material financial impact to our results for FY2015.

Construction of new warehouses

With the increased sales and production quantities of our commercial explosives products, Yinguang Technology is required to have additional warehouses for storage purposes in accordance with the safety regulations.

Yinguang Technology has identified a suitable piece of land of approximately 133,334 m² for this purpose. Total capital investment for the land and construction of the new warehousing capacity is estimated at approximately RMB 84.6 million with a construction timeline of approximately 2 years.

This investment will not have any material impact to our financial performance in FY2015. However, our Group's depreciation and amortization will increase upon completion of the construction and it is expected to have a negative impact on our future financial results.

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/recommended, a statement to that effect.

No dividend has been declared/recommended 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)	
		3Q2015	3Q2014	3Q2015	3Q2014
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Minbao Qicai Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	-	1,063	2,511	-
Dyno Nobel ⁽²⁾	Sales of commercial explosives	-	-	6,288	5,665
		9M2015	9M2014	9M2015	9M2014
Shandong Yinguang Security Services Co., Ltd	Provision of security services	7,200	-	-	-
Zaozhuang Yinguang Construction Co., Ltd	Provision of construction and renovation service	757	-	-	-
Shandong Yinguang Minbao Qicai Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	5,232	10,598	2,511	-
Dyno Nobel ⁽²⁾	Sales of commercial explosives	-	-	27,794	15,953

Footnotes:

⁽¹⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 25 July 2014. As such, transactions after 25 July 2014 will then 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 25 July 2014.

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
13 FEBRUARY 2015**