



## Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the 1<sup>st</sup> Quarter ended 30 June 2016 (“1Q2017”)

### 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 2016 RMB'000	3 months ended 30 June 2015 RMB'000	
<b>Revenue</b>	32,499	86,635	(62.5)
Cost of sales	(29,078)	(57,363)	(49.3)
<b>Gross profit</b>	3,421	29,272	(88.3)
<b><u>Other Items of Income</u></b>			
Interest income	258	245	5.3
Other gains – Note (i)	412	212	94.3
<b><u>Other Items of Expense</u></b>			
Distribution costs	(3,044)	(6,000)	(49.3)
Administrative expenses	(9,654)	(10,119)	(4.6)
Finance costs	(1,619)	(1,922)	(15.8)
Other losses – Note (ii)	(1,330)	(35)	3700.0
<b>(Loss)/Profit before income tax</b>	(11,556)	11,653	(199.2)
Income tax expense	(225)	(4,560)	(95.1)
<b>(Loss)/Profit attributable to shareholders</b>	(11,781)	7,093	(266.1)
<b>Note (i) – Other Gains</b>			
Allowance for impairment on trade receivables - reversal	172	-	N.M.
Government grant	240	212	13.2
	412	212	94.3
<b>Note (ii) – Other Losses</b>			
Loss on disposal of property, plant & equipment	(1,116)	-	N.M.
Foreign exchange adjustment loss	(214)	(35)	511.4
	(1,330)	(35)	3700.0
<b>(Loss)/Profit before income tax was stated after crediting / (charging) :-</b>			
Amortisation expenses	(771)	(633)	21.8
Depreciation expenses	(4,580)	(4,697)	(2.5)
Allowance for impairment on trade receivables - reversal	172	-	N.M.
Foreign exchange adjustment loss	(214)	(35)	511.4
Interest expense	(1,619)	(1,922)	(15.8)
Interest income from bank deposits	258	245	5.3
Loss on disposal of property, plant & equipment	(1,116)	-	N.M.

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)

	<b>Group</b>		<b>Increase/ (Decrease)  %</b>
	<b>3 months ended 30 June 2016 RMB'000</b>	<b>3 months ended 30 June 2015 RMB'000</b>	
<b>(Loss)/Profit attributable to shareholders</b>	(11,781)	7,093	(266.1)
Foreign currency translation difference	171	345	(50.4)
<b>Total comprehensive (loss)/income for the period</b>	<b>(11,610)</b>	<b>7,438</b>	<b>(256.1)</b>

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 2016 RMB'000	31 March 2016 RMB'000	30 June 2016 RMB'000	31 March 2016 RMB'000
<b>ASSETS</b>				
<b>Non-current assets :</b>				
Property, plant and equipment	214,920	223,197	140	44
Other assets, non-current	88,370	89,083	-	-
Investment in subsidiary	-	-	111,091	107,832
Deferred tax assets	7,465	7,514	-	-
<b>Total non-current assets</b>	<b>310,755</b>	<b>319,794</b>	<b>111,231</b>	<b>107,876</b>
<b>Current assets :</b>				
Inventories	44,768	41,820	-	-
Trade and other receivables (Note 1)	62,817	60,320	7,700	9,034
Other assets, current	23,043	21,640	90	137
Cash and cash equivalents	101,584	121,036	246	846
<b>Total current assets</b>	<b>232,212</b>	<b>244,816</b>	<b>8,036</b>	<b>10,017</b>
<b>Total assets</b>	<b>542,967</b>	<b>564,610</b>	<b>119,267</b>	<b>117,893</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves :</b>				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	150,552	162,333	(302)	2,671
Other reserves	89,043	88,872	(1,126)	(4,556)
<b>Total equity</b>	<b>356,444</b>	<b>368,054</b>	<b>115,421</b>	<b>114,964</b>
<b>Non-Current liabilities :</b>				
Deferred tax liabilities	2,534	2,365	-	-
<b>Total non-current liabilities</b>	<b>2,534</b>	<b>2,365</b>	<b>-</b>	<b>-</b>
<b>Current liabilities :</b>				
Trade and other payables (Note 2)	78,357	101,920	3,846	2,929
Other financial liabilities, current	97,062	83,663	-	-
Other liabilities	8,570	8,608	-	-
<b>Total current liabilities</b>	<b>183,989</b>	<b>194,191</b>	<b>3,846</b>	<b>2,929</b>
<b>Total liabilities</b>	<b>186,523</b>	<b>196,556</b>	<b>3,846</b>	<b>2,929</b>
<b>Total liabilities and equity</b>	<b>542,967</b>	<b>564,610</b>	<b>119,267</b>	<b>117,893</b>
<b>Note 1</b>				
Trade receivables	55,097	54,955	-	-
Amount receivable from subsidiary	-	-	7,700	9,034
Tax recoverable	3,824	3,832	-	-
Other receivables	3,896	1,533	-	-
Trade and other receivables	62,817	60,320	7,700	9,034
<b>Note 2</b>				
Trade payables and accruals	55,097	79,287	3,392	2,575
Other payables	23,260	22,633	454	354
Trade and other payables	78,357	101,920	3,846	2,929

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

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

**(RMB'000)**

<b>30 June 2016</b>		<b>31 March 2016</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
88,890	8,172	70,461	13,202

**Amount repayable after one year**

**(RMB'000)**

<b>30 June 2016</b>		<b>31 March 2016</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
-	-	-	-

**Details of any collateral**

As at 30 June 2016, the Group has aggregate secured short-term loans from financial institutions of RMB 88.9 million, while unsecured borrowings relates to a loan from a third party of RMB 8.2 million.

Secured short-term bank loans of RMB 58.9 million are secured using our subsidiaries' land and buildings with net book value of approximately RMB 83.0 million, while the balance of secured short-term bank loans of approximately RMB 30.0 million is secured using our subsidiaries' land and buildings with net book value of approximately RMB 10.8 million and 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"). The secured short-term bank loans' interest rate ranged from 4.73% to 5.655% per annum.

Unsecured borrowing of RMB 8.2 million relates to an interest-free loan from Linxi County Nitrogenous Fertilizer Co., Ltd.

- 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 2016 RMB'000	3 months ended 30 June 2015 RMB'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before income tax	(11,556)	11,653
Adjustments for :		
Amortisation expenses	771	633
Depreciation expense	4,580	4,697
Interest income	(258)	(245)
Interest expenses	1,619	1,922
Loss on disposal of property, plant & equipment	1,116	-
Allowance for impairment on trade receivables – reversal	(172)	-
Provision for safety expenses	587	853
Net effect of exchange rate changes in translation of financial statements of Parent	167	343
Operating (loss)/profit before working capital changes	(3,146)	19,856
Inventories	(2,948)	16,616
Trade and other receivables	(2,324)	(9,170)
Other assets	(1,403)	(5,925)
Trade and other payables	(23,563)	(9,793)
Other liabilities	(625)	(1,432)
Cash (used in)/generated from operations	(34,009)	10,152
Income tax paid	(8)	(3,815)
<b>Net cash (used in)/from operating activities</b>	<b>(34,017)</b>	<b>6,337</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant & equipment	5,025	-
Purchase of property, plant and equipment	(2,440)	(2,166)
Payment for land use rights	(58)	(10,437)
Decrease in cash restricted in use	30,000	7,000
Interest received	258	245
<b>Net cash from/(used in) investing activities</b>	<b>32,785</b>	<b>(5,358)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	81,890	90,491
Repayment of borrowings	(68,491)	(68,500)
Interest paid	(1,619)	(1,922)
<b>Net cash from financing activities</b>	<b>11,780</b>	<b>20,069</b>
Net increase in cash	10,548	21,048
Cash and cash equivalents at beginning of the period	91,036	88,908
<b>Cash and cash equivalents at end of the period</b>	<b>101,584</b>	<b>109,956</b>
Analysis of Cash and cash equivalents		
Cash and cash equivalents	101,584	139,956
Cash restricted in use *	-	(30,000)
<b>Cash and cash equivalents, statement of cash flows</b>	<b>101,584</b>	<b>109,956</b>

\* Cash restricted in use is pledged for trading facilities

**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 reserve	Capital reserve	Foreign currency translation reserves	Retained earnings	Total
<b>Group (RMB'000)</b>						
Balance at 1 April 2016	116,849	44,117	44,000	755	162,333	368,054
Appropriation for the period	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	171	(11,781)	(11,610)
Balance at 30 June 2016	116,849	44,117	44,000	926	150,552	356,444
Balance at 1 April 2015	116,849	42,224	44,000	(84)	201,233	404,222
Appropriation for the period	-	1,217	-	-	(1,217)	-
Total comprehensive income for the period	-	-	-	345	7,093	7,438
Balance at 30 June 2015	116,849	43,441	44,000	261	207,109	411,660

	Share capital	Foreign currency translation reserves	Retained earnings	Total
<b>Company (RMB'000)</b>				
Balance at 1 April 2016	116,849	(4,556)	2,671	114,964
Total comprehensive income/(loss) for the period	-	3,430	(2,973)	457
Balance at 30 June 2016	116,849	(1,126)	(302)	115,421
Balance at 1 April 2015	116,849	(12,815)	16,204	120,238
Total comprehensive income/(loss) for the period	-	1,903	(3,116)	(1,213)
Balance at 30 June 2015	116,849	(10,912)	13,088	119,025

**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 2016	31 March 2016
Total number of issued shares	46,800,000	46,800,000

**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. (Loss)/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.**

(Loss)/Earnings per ordinary share for the year based on net profit attributable to shareholders :

Based on weighted average number of ordinary shares in issue

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

<b>Group</b>	
<b>3 months ended 30 June 2016</b>	<b>3 months ended 30 June 2015</b>
<b>RMB cents</b>	<b>RMB cents (Restated*)</b>
(25.17)	15.16
46,800,000	46,800,000

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

\* Comparative weighted average number of ordinary shares and basic earnings per share has been adjusted to reflect the effects of the Share Consolidation effective on 1 September 2015.

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

(a) current financial period reported on; and

(b) immediately preceding financial year.

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2016</b>	<b>31 March 2016</b>	<b>30 June 2016</b>	<b>31 March 2016</b>
	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>
Net asset value per ordinary share based on the issued shares at the end of the financial year	761.63	786.44	246.63	245.65
Number of issued shares use in calculating net asset value	46,800,000	46,800,000	46,800,000	46,800,000

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 2016 ("1Q2017") decreased by approximately RMB 54.1 million or 62.5%, from RMB 86.6 million of the 3-month period ended 30 June 2015 ("1Q2016") to RMB 32.5 million in 1Q2017. The lower revenue registered in 1Q2017 was mainly due to the decrease in sales across all of our product segments.

Our products can be categorised mainly into (a) explosive devices such as boosters; (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 1Q2017 and 1Q2016 are as follows:

	Group				% change
	3 months ended 30 June 2016 ("1Q2017")		3 months ended 30 June 2015 ("1Q2016")		
	RMB'000	%	RMB'000	%	
Explosive devices	2,198	6.8	45,456	52.5	(95.2)
Industrial fuse and initiating explosive devices	18,690	57.5	23,433	27.0	(20.2)
Industrial detonators	11,433	35.2	16,618	19.2	(31.2)
Ammonium Nitrate	67	0.2	983	1.1	(93.2)
Others <sup>(1)</sup>	111	0.3	145	0.2	(23.4)
	<b>32,499</b>	<b>100.0</b>	<b>86,635</b>	<b>100.0</b>	<b>(62.5)</b>

	Group				% change
	3 months ended 30 June 2016 ("1Q2017")		3 months ended 30 June 2015 ("1Q2016")		
	RMB'000	%	RMB'000	%	
Within PRC	31,748	97.7	47,498	54.8	(33.2)
<u>Outside PRC</u>					
Australia	-	-	37,531	43.3	N.M.
Others	751	2.3	1,606	1.9	(53.2)
	<b>751</b>	<b>2.3</b>	<b>39,137</b>	<b>45.2</b>	<b>(98.1)</b>
	<b>32,499</b>	<b>100.0</b>	<b>86,635</b>	<b>100.0</b>	<b>(62.5)</b>

Note :

(1) Others include sales of raw materials and packaging materials.

a) Sales within PRC

Sales within PRC decreased by approximately RMB 15.8 million or 33.2% to RMB 31.7 million in 1Q2017, as compared to RMB 47.5 million in the previous corresponding period. The decrease in PRC sales was mainly due to lower sales across all our product segments, in particular, sales from the Group's explosive devices declined 95.2% in 1Q2017 as our boosters production only resumed on 26 May 2016.

In addition, the softening of global commodity prices has translated to reduced mining activities in China and as mining related activities accounted for a significant portion of the Group's overall revenue, the Group has been operating under a challenging and volatile business environment.



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 to Australia

There was no sale to Australia during the current quarter under review as our boosters production only resumed on 26 May 2016.

c) Sales to other countries

Sales to other countries decreased by approximately RMB 855,000 or 53.2%. Our boosters product accounted for majority of the Group's sales to other countries, hence our revenue in this segment was affected as our production segment only resumed on 26 May 2016.

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 decreased by approximately 23.3 percentage points, from 33.8% in 1Q2016 to 10.5% in 1Q2017. This was mainly due to the temporary stoppage of boosters production during the first 2 months of 1Q2017.

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

Interest income remained relatively unchanged at RMB 258,000 in 1Q2017.

Finance costs decreased by approximately RMB 303,000 mainly due to the lower bank lending interest rates in the general market and lower loan amounts during 1Q2017 as compared to 1Q2016.

#### **Other gains / (Other losses)**

For 1Q2017, other gains include the reversal of allowance for impairment on trade receivables of RMB 172,000 as the amount was received by the Group and government grants amounted to approximately RMB 240,000. For 1Q2016, other gains relates to government grants of approximately RMB 212,000. Government grants relate to the miscellaneous grants from governments on an ad hoc basis and the grant for certain plant and equipment which will be amortised over 3 years.

Other losses for 1Q2017 include loss on disposal of property, plant & equipment of approximately RMB 1.1 million and foreign exchange adjustment loss of approximately RMB 214,000. Other losses for 1Q2016 relate to the foreign exchange adjustment loss of approximately RMB 35,000. Loss on disposal of property, plant & equipment relates to the disposal of certain motor vehicles and equipment that are no longer in use.

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

#### **Operating expenses**

In line with the lower revenue registered in 1Q2017, the Group's distribution costs decreased by approximately 49.3% while administrative expenses declined marginally by 4.6% as majority of administrative expenses are fixed components. Amortisation expenses increased approximately RMB 138,000 or 21.8% from approximately RMB 633,000 during 1Q2016 to RMB 771,000 during 1Q2017 mainly due to increase in land use rights during the last financial year.

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**

During 1Q2017, the Group registered a loss before income tax of RMB 11.6 million and an income tax expense of approximately RMB 225,000. The income tax expenses was mainly due to the provision of the withholding tax for the Group.

#### **Balance sheet**

Property, plant and equipment decreased by approximately RMB 8.3 million, mainly due to the depreciation charged for the current period under review of approximately RMB 4.6 million and disposal of certain property, plant and equipment, which was partially offset by the acquisition of property, plant and equipment of approximately RMB 2.4 million.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 0.7 million mainly due to the amortisation charges of approximately RMB 0.8 million recognized during the current period under review.

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

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 19.3%, 27.1%, 9.9% and 43.7% respectively of our total current assets as at 30 June 2016.

Inventories increased by approximately RMB 2.9 million or 7.0% to RMB 44.8 million as at 30 June 2016, as compared to RMB 41.8 million as at 31 March 2016. The increase was mainly due to the resumption of our boosters production on 26 May 2016.

During the current quarter under review, trade and other receivables increased marginally by approximately RMB 2.5 million or 4.1% to RMB 62.8 million as at 30 June 2016.

Other assets, current comprising the Group's prepayments, increased marginally by approximately RMB 1.4 million or 6.5% to RMB 23.0 million as at 30 June 2016.

As at 30 June 2016, our current liabilities comprised of trade and other payables of approximately RMB 78.4 million, other current financial liabilities of approximately RMB 97.1 million and other liabilities of RMB 8.6 million. Non-current liabilities comprised of deferred tax liabilities of RMB 2.5 million.

Trade and other payables decreased by approximately RMB 23.6 million mainly due to the repayment of bills payables due of RMB 30.0 million during 1Q2017.

As at 30 June 2016, other current financial liabilities of RMB 97.1 million comprised of bank loans of RMB 88.9 million and a third party loan of RMB 8.2 million. The increment of RMB 13.4 million from RMB 83.7 million as at 31 March 2016 was mainly due to the additional bank loans obtained by the Group during 1Q2017 upon repayment of those loan amounts that were due before 31 March 2016. Adhering to the customary banking practices in the PRC, the Group's bank loans are for a period of one year or less.

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)**

Other liabilities of RMB 8.6 million relate to the Group's provision for safety expenses, advances from customers and a deferred government grant.

Deferred tax liabilities of RMB 2.5 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 the current quarter ended 30 June 2016, the Group's net cash used in operating activities amounted to approximately RMB 34.0 million, while net cash from investing activities and financing activities amounted to approximately RMB 32.8 million and RMB 11.8 million, respectively.

The net cash used in operating activities of approximately RMB 34.0 million was mainly due to the repayment of bills payable of RMB 30.0 million that was due during 1Q2017.

The net cash from investing activities of approximately RMB 32.8 million was mainly due to the decrease in cash restricted in use of RMB 30.0 million and proceeds from disposal of acquisition of property, plant and equipment of approximately RMB 5.0 million, which was partially offset by the purchase of property, plant and equipment of approximately RMB 2.4 million.

The net cash from financing activities of approximately RMB 11.8 million was mainly due to the net increase in bank loans of RMB 13.4 million, which was partially offset by the payment of interest expenses.

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

The current first quarter results for the 3-months period ended 30 June 2016 are in line with the Company's commentary as disclosed under paragraph 10 of the full year results announcement for the financial year ended 31 March 2016 and the Company's corporate update announcement on 26 May 2016.

**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 resumption of our automated boosters production facilities*

Announcements issued by the Company on 30 October 2015 and 3 December 2015 highlighted an unrelated explosion incident at a booster production plant in Shandong Province, Linyi City, Pingyi County. As a precautionary measure, the authorities required all commercial explosives manufacturers in Shandong Province to temporarily cease all production of commercial explosive products for safety inspections and clearance by the relevant authorities. Subsequently, on 30 November 2015, the Group received a notification from the relevant authorities to resume production of our commercial explosives products, except for boosters production as this product category will require additional safety inspection and clearance by the relevant authorities before the resumption of production.

On 25 May 2016, the Company received the notification from the relevant authorities for the resumption of our automated boosters production and Yinguang Technology's automated production line for boosters had resumed production on 26 May 2016. Yinguang Technology's second automated production line for boosters is expected to be completed by the end of August 2016 and it will also start supplying boosters products to our local and overseas customers.

However, adhering to new safety directives, Yinguang Technology's two manual production lines of boosters will cease production and the Group will likely be converting these two manual production lines into automated production sometime in the future, which would lead to an improvement in product quality and further enhance the safety standards of the boosters' production facilities. This initiative is aligned with the Group's earlier announced plans to step up our boosters automation upgrading program. As a result, the Group's production capacity of boosters will be reduced pending the conversion and completion of the automated production lines. Thus, we would expect our revenue and profitability to be impacted during this transition period.

*Update on the ammonium nitrate production facilities*

In light of the continual weak market conditions for ammonium nitrate, the production of ammonium nitrate had temporarily ceased since FY2016 and the management does not expect any recovery of the ammonium nitrate market conditions in the near future, thus this product segment is projected to continue to experience an operating loss.

On 16 June 2016, the Company announced that our wholly-owned subsidiary, Yinguang Technology has entered into an equity purchase agreement with Wang Jian, a director and the current general manager of Hebei Yinguang, in relation to the proposed disposal of the entire equity interest in Hebei Yinguang ("Proposed disposal").

A circular containing further details of the Proposed Disposal and enclosing the notice of extraordinary general meeting to be convened will be despatched by the Company to the shareholders in due course.

Please refer to the Company's announcement on 16 June 2016 for more information.

*China market updates*

China continues to experience a slowdown in its economic growth and the broad-based weakness in global commodity prices continues to impact mining activities in China. In addition, as pollution and environmental issues remain key issues in China, the Chinese authorities have increased their scrutiny and regulations on industrial activities (such as refinery and power plant facilities) that are major causes of such issues. As a result, these factors have led to reduced mining activities in China and will continue to affect our local sales in China as most of our commercial explosives products are used in mining related activities.

The management will continue to monitor the situation and update Shareholders of any other 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 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)	
		1Q2017	1Q2016	1Q2017	1Q2016
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Security Services Co., Ltd	Provision of security service	-	7,200	-	-
Dyno Nobel <sup>(1)</sup>	Sales of commercial explosives	-	-	-	9,446

Footnotes:

<sup>(1)</sup> 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 28 July 2016.

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

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

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

For and On behalf of the Board of Directors

Sun Bowen  
Managing Director

Bao Hongwei  
Director

**BY ORDER OF THE BOARD  
SUN BOWEN  
MANAGING DIRECTOR  
5 AUGUST 2016**