Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2009 ("FY2009")

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

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

	Group		Increase/ (Decrease)
	FY2009 RMB'000	FY2008 RMB'000	%
Revenue	210,895	239,447	(11.9)
Cost of sales	(130,820)	(135,367)	(3.4)
Gross profit	80,075	104,080	(23.1)
Other Items of Income			
Interest income	277	264	4.9
Other credits – Note (i)	1,676	99	1592.9
Other Items of Expense			
Distribution costs	(12,047)	(8,578)	40.4
Administrative expenses	(23,808)	(22,955)	3.7
Finance costs	(530)	(92)	476.1
Other charges– Note (ii)	(3,549)	(260)	1265.0
Profit before income tax	42,094	72,558	(42.0)
Income tax expense	(7,158)	(12,250)	(41.6)
Net profit attributable to shareholders	34,936	60,308	(42.1)
Note (i) – Other Credits			
Foreign exchange adjustment gain	1,126	98	1049.0
Gain on sale of plant and equipment	-	1	N.M.
Grant from Ministry of Finance of Fei County	550	-	N.M.
	1,676	99	1592.9
Note (ii) – Other Charges			
Loss on sale of plant and equipment	(18)	-	N.M.
Provision for doubtful debts	(3,531)	-	N.M.
Write-off for stocks obsolescence	-	(260)	N.M.
	(3,549)	(260)	1265.0

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

Amortisation of land use rights	(90)	-	N.M.
Depreciation expenses	(3,157)	(2,716)	16.2
Foreign exchange adjustment gain	1,126	98	1049.0
Interest expense	(530)	(92)	476.1
Interest income from bank deposits	277	264	4.9
(Loss)/Gain on sale of plant and equipment	(18)	1	(1900.0)
Provision for doubtful debts	(3,531)	-	N.M.
Write-off for stocks obsolescence	-	(260)	N.M.

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

	Group		Company	
	31 March 2009 RMB'000	**31 March 2008 RMB'000**	**31 March 2009 RMB'000**	**31 March 2008 RMB'000**
ASSETS				
Non-current assets :				
Goodwill on consolidation	20,001	-	-	-
Land use rights	45,026	-	-	-
Property, plant and equipment	138,462	46,624	376	481
Investment in subsidiary	-	-	101,176	114,682
Total non-current assets	**203,489**	**46,624**	**101,552**	**115,163**
Current assets :				
Inventories	47,001	22,835	-	-
Trade and other receivables (Note 1)	119,074	138,170	14,689	4,553
Other assets	27,500	8,927	97	525
Cash and cash equivalents	112,621	108,928	256	528
Total current assets	**306,196**	**278,860**	**15,042**	**5,606**
Total assets	**509,685**	**325,484**	**116,594**	**120,769**
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings/(Accumulated losses)	163,859	133,529	8,494	(4,000)
Other reserves	27,757	24,100	(12,342)	2,114
Total equity	**308,465**	**274,478**	**113,001**	**114,963**
Non-Current liabilities :				
Other financial liabilities	226	331	226	331
Total non-current liabilities	**226**	**331**	**226**	**331**
Current liabilities :				
Income tax payable	5,240	5,455	-	-
Short-term bank loan	23,000	-	-	-
Third party loan	26,622	-	-	-
Trade and other payables (Note 2)	144,057	43,618	3,301	5,405
Other financial liabilities	66	70	66	70
Other liabilities	2,009	1,532	-	-
Total current liabilities	**200,994**	**50,675**	**3,367**	**5,475**
Total liabilities	**201,220**	**51,006**	**3,593**	**5,806**
Total liabilities and equity	**509,685**	**325,484**	**116,594**	**120,769**
Note 1				
Trade receivables	117,482	136,318	-	-
Amount receivable from subsidiary	-	-	14,688	4,553
Other receivables	1,592	1,852	1	-
Trade and other receivables	119,074	138,170	14,689	4,553
Note 2				
Trade payables and accruals	78,894	34,545	3,090	5,234
Other payables	65,163	9,073	211	171
Trade and other payables	144,057	43,618	3,301	5,405

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 March 2009		31 March 2008	
Secured	**Unsecured**	**Secured**	**Unsecured**
8,066	41,622	70	-

Amount repayable after one year

(RMB'000)

31 March 2009		31 March 2008	
Secured	**Unsecured**	**Secured**	**Unsecured**
226	-	331	-

Details of any collateral

As at 31 March 2009, the Group has secured borrowings comprising a 7 years finance lease of approximately RMB 292,000 for the purchase of a motor vehicle and aggregate secured short-term bank loans of RMB 8 million. Unsecured borrowings relates to a loan from a third party of RMB 26.6 million and aggregate short-term bank loans of RMB 15 million.

The finance lease is secured against the motor vehicle with net book value of approximately RMB 359,000, and bears effective interest rate of 6.61% per annum.

Secured short-term bank loans are secured using Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang")'s land and buildings with net book value of approximately RMB 11.1 million. The secured short-term bank loans' interest rates ranged between 6.1065% and 8.217% per annum.

Unsecured borrowing of RMB 26.6 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd. Portion of this loan has interest rate of 12% per annum. Unsecured short-term bank loans of RMB 15 million are guaranteed by corporate guarantee of Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang, and guarantee by Ministry of Finance of Linxi County. The unsecured short-term bank loans' interest rates ranged between 6.93% and 13.68% per annum.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	FY2009 RMB'000	**FY2008 RMB'000**
Cash flows from operating activities		
Profit before income tax	42,094	72,558
Adjustments for :		
Amortisation for land use rights	90	
Depreciation expense	3,157	3,235
Interest expenses	530	92
Interest income	(277)	(264)
Loss / (Gain) on sale of plant and equipment	18	(1)
Provision for doubtful debts	3,531	-
Operating profit before working capital changes	49,143	75,620
Inventories	(19,360)	(10,597)
Trade and other receivables	32,511	(46,665)
Other assets	(9,116)	(7,125)
Trade and other payables	2,645	11,135
Other liabilities	153	1,410
Cash generated from operations	55,976	23,778
Income tax paid	(8,346)	(10,016)
Net cash from operating activities	**47,630**	**13,762**
Cash flows from investing activities		
Cash flows from acquisition of subsidiary	28,128	-
Payment for land use rights	(2,602)	-
Proceeds from sale of plant and equipment	47	13
Purchase of property, plant and equipment	(69,707)	(27,670)
Interest received	277	264
Net cash used in investing activities	**(43,857)**	**(27,393)**
Cash flows from financing activities		
Dividend paid	-	(6,154)
Repayment of finance lease obligation	(109)	(69)
Repayment for third party loan	(545)	-
Increase in bank loans	2,000	-
Interest paid	(530)	(92)
Net cash from (used in) financing activities	**816**	**(6,315)**
Net effect of exchange rate changes in consolidating foreign currency financial statements	(896)	(134)
Net increase / (decrease) in cash	3,693	(20,080)
Cash at beginning of the year	108,928	129,008
Cash at end of the year	**112,621**	**108,928**

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.

Group (RMB'000)	**Issued capital**	**Statutory reserves**	**Foreign currency translation reserves**	**Retained earnings**	**Total**
Balance at 1 April 2008	116,849	23,526	574	133,529	274,478
Items of income and expense recognised directly in equity:					
Foreign currency translation difference	-	-	(949)	-	(949)
Net income recognised directly in equity	-	-	(949)	-	(949)
Net profit for the year	-	-	-	34,936	34,936
Appropriation for the year	-	4,606	-	(4,606)	-
Total recognised income and expense for the year	-	4,606	(949)	30,330	33,987
Balance at 31 March 2009	116,849	28,132	(375)	163,859	308,465
Balance at 1 April 2007	116,849	14,870	712	88,031	220,462
Items of income and expense recognised directly in equity:					
Foreign currency translation difference	-	-	(138)	-	(138)
Net income recognised directly in equity	-	-	(138)	-	(138)
Net profit for the year	-	-	-	60,308	60,308
Appropriation for the year	-	8,656	-	(8,656)	-
Total recognised income and expense for the year	-	8,656	(138)	51,652	60,170
Other movements in equity					
Dividend paid	-	-	-	(6,154)	(6,154)
Balance at 31 March 2008	116,849	23,526	574	133,529	274,478
		(a)	(a)		

Company (RMB'000)	**Issued capital**	**Foreign currency translation reserves**	**Retained earnings**	**Total**
Balance at 1 April 2008	116,849	2,114	(4,000)	114,963
Items of income and expense recognised directly in equity:				
Foreign currency translation difference	-	(14,456)	-	(14,456)
Net income recognised directly in equity	-	(14,456)	-	(14,456)
Net profit for the year	-	-	12,494	12,494
Total recognised income and expense for the year	-	(14,456)	12,494	(1,962)
Balance at 31 March 2009	116,849	(12,342)	8,494	113,001
Balance at 1 April 2007	116,849	2,599	(6,818)	112,630
Items of income and expense recognised directly in equity:				
Foreign currency translation difference	-	(485)	-	(485)
Net income recognised directly in equity	-	(485)	-	(485)
Net loss for the year	-	-	8,972	8,972
Total recognised income and expense for the year	-	(485)	8,972	8,487
Other movements in equity				
Dividend paid	-	-	(6,154)	(6,154)
Balance at 31 March 2008	116,849	2,114	(4,000)	114,963
		(a)		

(a) Not available for distribution as cash dividends

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	
	31 March 2009	**31 March 2008**
Total number of issued shares	234,000,000	234,000,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There is no sale, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

The figures have not been audited nor reviewed by the auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements.

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

There are no material changes in the accounting policies and methods of computation.

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

	Group	
	FY2009	**FY2008**
	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	14.93	25.77
Weighted average number of ordinary shares in issue for basic earnings per share	234,000,000	234,000,000

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

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

	Group		Company	
	31 March 2009	**31 March 2008**	**31 March 2009**	**31 March 2008**
	RMB cents	**RMB cents**	**RMB cents**	**RMB cents**
Net asset value per ordinary share based on the issued shares at the end of the financial year	131.82	117.30	48.29	49.13
Number of issued shares use in calculating net asset value	234,000,000	234,000,000	234,000,000	234,000,000

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

Revenue

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 of our revenue by the above product types and geographical segments during the financial year ended 31 March 2008 ("FY2008") and financial year ended 31 March 2009 ("FY2009") are as follows:

	Group				
	FY2009		FY2008		%
	RMB'000	%	RMB'000	%	change
Explosive devices	69,274	32.8	108,558	45.3	(36.2)
Industrial fuse and initiating explosive devices	71,510	33.9	75,970	31.7	(5.9)
Industrial detonators	49,934	23.7	54,331	22.7	(8.1)
Ammonium Nitrate	18,895	9.0	-	-	N.M.
Others [(1)]	1,282	0.6	588	0.3	118.0
	210,895	**100.0**	**239,447**	**100.0**	**(11.9)**

	FY2009		FY2008		%
	RMB'000	%	RMB'000	%	change
Within PRC	163,188	77.4	151,781	63.4	7.5
Outside PRC					
Sales through export distributors [(2)]	14,034	6.6	33,378	13.9	(58.0)
Australia	26,083	12.4	27,604	11.5	(5.5)
South Africa	4,153	2.0	19,135	8.0	(78.3)
Others	3,437	1.6	7,549	3.2	(54.5)
	47,707	22.6	87,666	36.6	(45.6)
	210,895	**100.0**	**239,447**	**100.0**	**(11.9)**

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

FY2009 revenue decreased by approximately RMB 28.5 million or 11.9% from FY2008's RMB 239.4 million to FY2009's RMB 210.9 million mainly due to the disruption during the Beijing Olympics period, i.e. July 2008 to September 2008, and the deteriorating of the global economic conditions.

a) Sales within PRC

Sales within PRC increased by approximately RMB 11.4 million or 7.5%. The increase is mainly due to the sales of ammonium nitrate by our newly acquired subsidiary, Hebei Yinguang, of approximately RMB 18.9 million. Local PRC sales of our piston non-electric detonators also increased by approximately RMB 14.0 million or 40.0% during the current financial year. Local PRC sales of boosters and detonating cords decreased by approximately RMB 11.1 million or 36.2% and RMB 7.4 million or 47.1% during the current financial year.

Local PRC sales of our piston non-electric detonators increase due to the increased awareness of this new product which is safer and more environmental friendly. Local PRC sales of our other products decrease mainly due to the disruption during the Beijing Olympics period where certain restrictions were imposed on our transportation and production. Local PRC sales were also affected by the decrease in global mining activities due to the current economic conditions. Mining activities in our major markets are decreasing over the last few months due to the worsening economic conditions.

b) Sales to South Africa

Sales to South Africa were temporarily disrupted during the current financial year due to the shipping disruptions caused by a dispute between the owner of the vessel and the port of South Africa. However, sales to South Africa resumed during the 3Q2009 with sales revenue of approximately RMB 4.2 million. As South Africa's mining industry is also affected by the decrease in global mining activities, the sales were limited during FY2009.

c) Sales through export distributors and other countries

Sales through export distributors and other countries decreased by approximately RMB 23.5 million or 57.3% mainly due to the transportation restrictions during the Beijing Olympics period and the deteriorating global economic conditions.

All local PRC sales contracts and export applications sought by export agents have been approved by the Commission of Science, Technology and Industry for National Defense ("Commission").

Gross profit margin

Gross profit margin deteriorates by approximately 5.5 percentage points from FY2008's 43.5% to FY2009's 38.0%.

The decrease in our gross profit margin is mainly due to the lower gross profit margin for ammonium nitrate product as compared to our existing product range for commercial explosives and the increase in raw materials prices during the current financial year. From the completion of our acquisition till 31 March 2009, ammonium nitrate's gross profit margin approximates 13.9%.

Gross profit margin for Yinguang Technology deteriorates by 3.2% from FY2008's 43.5% to FY2009's 40.3%. This is mainly due to the increase in raw materials prices and the higher fixed costs per unit on lower production capacity which is due mainly to the second quarter Beijing Olympics period.

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)**

<u>Other credits / (Other charges)</u>

Other credits comprise foreign exchange adjustment gain of approximately RMB 1.1 million (FY2008: RMB 98,000) and a grant of RMB 550,000 from the Ministry of Finance of Fei County ("Grant") during the current financial year.

This Grant was awarded for our Subsidiary's good safety records. Foreign exchange adjustment gain and loss arises from foreign exchange rate changes between Renminbi (RMB), US Dollars and Singapore Dollars.

Other charges relate to the loss on sales of plant and equipment of approximately RMB 18,000 and a provision for doubtful debts of RMB 3.5 million.

During the current financial year, the Group made an aggregate provision for doubtful debts of RMB 3.5 million in anticipation of the impact of the global economic crisis on our customers.

<u>Operating expenses</u>

Distribution costs increased by approximately RMB 3.4 million or 40.4% from FY2008's RMB 8.6 million to FY2009's RMB 12.0 million. The increase is mainly due to raising costs like staff costs and petrol costs and the consolidation of distribution expenses from our newly acquired subsidiary, Hebei Yinguang. The constantly high petrol costs in the PRC had caused our transportation and traveling expenses to increase tremendously as compared to FY2008.

Administrative expenses increased slightly by approximately RMB 0.9 million or 3.7% from FY2008's RMB 22.9 million to FY2009's 23.8 million. The increase is mainly due to the consolidation of administrative expenses from our newly acquired subsidiary, Hebei Yinguang. The increase is partially offset by the decrease in those expenses relating to the lower Group's results, for example, executive directors' profit sharing and safety expenses. Executive directors' profit sharing is computed based on a certain pre-defined percentage of our profit before taxation and safety expenses is computed based on pre-defined percentages of our annual revenue as set by the State Administration of Work Safety of the PRC.

<u>Finance costs</u>

Interest income increased by approximately RMB 13,000 and finance costs increased by approximately RMB 438,000 during the current financial year as compared to the previous financial year.

Finance costs increased mainly due to the payment of interest expenses for Hebei Yinguang's interest-bearing borrowings.

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

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

Income tax expenses

According to the Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises of the PRC, the China operating subsidiary of the Group, Shandong Yinguang Technology Co., Ltd. ("Yinguang Technology"), qualifies to enjoy a five-year tax incentive period. Under the terms of the said tax incentive period, Yinguang Technology is exempted from paying income tax for the first two profitable years of operations and is granted a 50.0% relief from the state income tax of 30.0% for the following three years. The first profitable year of Yinguang Technology is 2005. Hence, the profits derived during calendar years 2005 and 2006 were exempted from income tax. With effect from 1 January 2007, Yinguang Technology is liable to pay 15% tax, representing 50.0% of the state income tax of 30.0%.

With the lowering of state income tax from 30.0% to 25.0% with effect from 1 January 2008, Yinguang Technology is liable to pay a reduced tax rate of 12.5%, representing 50.0% of the state income tax of 25.0%, for 2 years from 1 January 2008 to 31 December 2009.

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

The effective tax rate for FY2009 was 17.0% (FY2008: 16.9%). This is higher than the PRC concessionary tax rate of 12.5% (or 15.0% before 1 January 2008) mainly due to the corporate expenses incurred in Singapore.

Balance sheet

Goodwill on consolidation arises from the consolidation of our newly acquired subsidiary, Hebei Yinguang Chemical Co., Ltd. As the process of determining the fair value for the acquisition of Hebei Yinguang is not yet complete, the extent and value of the identifiable assets, liabilities and contingent liabilities included in the investment in subsidiary is determined provisionally and are subject to change within 12 months from the acquisition date, as prescribed under Singapore Financial Reporting Standard 103, Business Combinations.

Land use rights refer mainly to Hebei Yinguang's legal land title of approximately RMB 10.1 million on which its operations are located and also two plots of land for Yinguang Technology that is currently estimated to be approximately RMB 34.9 million.

Yinguang Technology recognised an amount of approximately RMB 34.9 million for these two plots of land of which RMB 2.6 million was already paid and the balance RMB 32.3 million is an estimate made for the two said plots of land. Yinguang Technology had already obtained the legal title to one of these two plots of land with an estimated amount of RMB 20.6 million recognised as land use rights. The application of the other plot of land is still in progress and an estimated amount of RMB 14.3 million may be payable, of which RMB 2.6 million was already paid and RMB 11.7 million is recognised as payable. However, the management is of the view that Yinguang Technology is not required to pay the full estimated payable amount of RMB 34.9 million for these two plots of land and necessary adjustments will be made once the exact amounts have been finalised with the local land authority.

Property, plant and equipment increased by approximately RMB 91.8 million mainly due to the consolidation of Hebei Yinguang's property, plant and equipment of approximately RMB 38.2 million and the completion of our 2 new production facilities, i.e. Boosters and piston non-electric detonators production facilities.

Inventories increased by approximately RMB 24.2 million from FY2008's RMB 22.8 million to FY2009's RMB 47.0 million. The increase is mainly due to the increase in raw materials of approximately RMB 14.9 million and finished goods of RMB 6.9 million. The increase is also contributed by the consolidation of Hebei Yinguang's inventories of approximately RMB 2.1 million.

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)

Trade receivables decreased by approximately RMB 18.8 million or 13.8% mainly due to the provision for doubtful debts of RMB 3.5 million and the lower fourth quarter sales for FY2009. Fourth quarter sales revenue decreased RMB 18.1 million (4Q2009: RMB 63.7 million; 4Q2008: RMB 81.8 million) comparing to the previous corresponding period. Other receivables also decreased by approximately RMB 0.3 million mainly due to the decrease in the Group's operations.

Other assets comprise the Group's prepayments. Other assets increased by approximately RMB 18.6 million from FY2008's RMB 8.9 million to FY2009's RMB 27.5 million. The increase is mainly due to the prepayments for raw materials of approximately RMB 16.9 million and the consolidation of Hebei Yinguang's prepayments of approximately RMB 7.3 million.

As at 31 March 2009, our current liabilities comprise income tax payable of RMB 5.2 million, short-term bank loan of RMB 23 million, third party loan of approximately RMB 26.6 million, trade and other payables of approximately RMB 144.1 million, finance lease obligation of approximately RMB 66,000 and other liabilities of approximately RMB 2.0 million. Non-current finance lease obligation approximates RMB 226,000.

Trade payables and accruals increased by approximately RMB 44.3 million mainly due to the consolidation of Hebei Yinguang's trade payables and accruals of approximately RMB 44.8 million. Other payables increased by approximately RMB 56.1 million mainly due to the recognition of approximately RMB 32.3 million of land use rights payable to the land authority and the consolidation of Hebei Yinguang's other payables of approximately RMB 6.2 million. Other payables as at 31 March 2009 also included an amount of approximately RMB 12.2 million owing to Shandong Yinguang Group Co., Ltd. This RMB 12.2 million arises due to the acquisition of Hebei Yinguang. For further details, please refer to the Company's Circular dated 29 August 2008.

Other liabilities increased by approximately RMB 0.5 million mainly due to the consolidation of Hebei Yinguang's other liabilities.

Total finance lease obligation of approximately RMB 292,000 consists of a 7 years finance lease secured against a motor vehicle with net book value of approximately RMB 359,000 as at 31 March 2009 and bears effective interest rate of 6.61% per annum.

Cash flow

For the financial year ended 31 March 2009, the Group has net cash generated from operating activities of approximately RMB 47.6 million, net cash used in investing activities of approximately RMB 43.9 million and net cash from financing activities of approximately RMB 0.8 million.

The net cash generated from operating activities of RMB 47.6 million is mainly due to the recovery of debts from relatively higher sales made during the fourth quarter of FY2008 and partially offset by the increase in inventories and other assets of the Group.

The net cash used in investing activities of approximately RMB 43.9 million is mainly due to the construction of our two new production facilities and partially offset by the cash flows from acquisition of Hebei Yinguang.

Our net cash from financing activities of approximately RMB 0.8 million is mainly due to the additional RMB 2.0 million bank loan obtained for Hebei Yinguang and partially offset by the repayment of finance lease obligation, third party loan and interest payment.

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, except for the Profit Warning announcement issued by the Company on 6 April 2009 with regards to the global economic conditions.

In the above announcement, our board of directors had cautioned our shareholders about the lower profitability for our fourth quarter results and consequently our full year results as compared to the previous corresponding period. Our fourth quarter's revenue and net profits decreased by approximately RMB 18.1 million (22.2%) and RMB 16.7 million (67.6%) respectively as compared to the previous corresponding quarter. Our full year's revenue and net profits decreased by approximately RMB 28.5 million (11.9%) and RMB 25.4 million (42.1%) respectively as compared to the previous financial year.

In addition to the above, the above-mentioned announcement also mentioned that the management foresees a small loss to be made for Hebei Yinguang for the fourth quarter of FY2009. Net loss for Hebei Yinguang for the fourth quarter of FY2009 is approximately RMB 12,400.

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.

Boosters, Detonators facilities and Ammonium Nitrate facilities

As mentioned in our third quarter announcement, Yinguang Technology had completed the construction of the 2 new production facilities, i.e. 3,000 tonnes boosters and 60 million units piston non-electric detonators, and the relevant authority had given the approval for Yinguang Technology to commence production for the new boosters and detonators facilities. Yinguang Technology had commenced the production for these 2 new production facilities.

Further to our Profit Warning announcement on 6 April 2009, Hebei Yinguang has commenced the initial production at the 40,000 tonnes ammonium nitrate plant and management target to ramp up to full capacity by end of November 2009, depending on the market conditions.

Use of IPO proceeds

For the financial year ended 31 March 2009, the Group has utilised approximately RMB 58.6 million of the IPO proceeds for the purchase of plants and machineries for the boosters and detonators facilities and for working capital purposes. Till date, total IPO proceeds utilised is approximately RMB 75 million. Total IPO proceeds unutilised approximates RMB 7.2 million which will be used for future working capital purposes and overseas expansion.

The Board will continue to make periodic announcements on the utilisation of the balance of the IPO proceeds until the whole of the IPO proceeds has been fully disbursed.

Global economic conditions

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

11. Dividend

(a) *Current Financial Period Reported On*
Any dividend declared for the current financial period reported on?

None.

(b) *Corresponding Period of the Immediately Preceding Financial Year*
Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

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

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

PART I I – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Business segments

The Group has five major operating segments classified according to the usage of our products. The five segments are (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; (d) ammonium nitrate and (e) others.

FY2009 RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Others	Total
Revenue	69,274	71,510	49,934	18,895	1,282	210,895
Segmental results	14,457	34,478	18,406	700	925	68,966
Interest income						277
Finance costs						(530)
Unallocated corporate expenses						(26,619)
Profit before income tax						42,094
Income tax expenses						(7,158)
Net profit attributable to shareholders						34,936
Other information:						
Assets						
Segmental assets	51,154	6,167	89,244	104,113	–	250,678
Unallocated corporate assets						259,007
Total assets						509,685
Liabilities						
Segmental liabilities	716	520	1,500	101,578	–	104,314
Unallocated segmental liabilities						96,906
Total liabilities						201,220
Capital expenditure	24,734	191	65,789	13,178	–	103,892
Unallocated capital expenditure						732
Total capital expenditure						104,624
Amortisation	–	–	–	90	–	90
Depreciation	1,070	325	357	350	–	2,102
Unallocated depreciation						1,055
Total depreciation						3,157
Unallocated non-cash expenses other than depreciation	–	–	–	–	–	3,549

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (Cont'd)

Business segments (Cont'd)

FY2008 RMB'000	**Explosive devices**	**Industrial fuse and initiating devices**	**Industrial detonators**	**Others**	**Total**
Revenue	108,558	75,970	54,331	588	239,447
Segmental results	34,530	40,152	23,861	342	98,885
Interest income					264
Finance costs					(92)
Unallocated corporate expenses					(26,499)
Profit before income tax					72,558
Income tax expenses					(12,250)
Net profit attributable to shareholders					60,308
Other information:					
Assets					
Segmental assets	20,809	5,270	23,993	–	50,072
Unallocated corporate assets					275,412
Total assets					325,484
Liabilities					
Segmental liabilities	618	440	740	–	1,798
Unallocated segmental liabilities					49,208
Total liabilities					51,006
Capital expenditure	6,598	304	19,247	–	26,149
Unallocated capital expenditure					1,521
Total capital expenditure					27,670
Depreciation	1,043	321	327	–	1,691
Unallocated depreciation					1,544
Total depreciation					3,235
Unallocated non-cash expenses other than depreciation	–	–	–	–	260

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year. (Cont'd)

Geographical segments

Revenue by geographical segments are based on the location of the customers regardless of where the goods are produced. The assets and capital expenditure are based on the location of those assets.

	FY2009 RMB'000	FY2008 RMB'000
Revenue		
Within PRC	163,188	151,781
Outside PRC		
Sales through export distributors *	14,034	33,378
Australia	26,083	27,604
South Africa	4,153	19,135
Others	3,437	7,549
	47,707	87,666
	210,895	**239,447**

* These were sales to export distributors in the PRC in which they export the products to their customers overseas.

	FY2009 RMB'000	FY2008 RMB'000
Carrying amount of segment assets		
Within PRC	508,955	323,950
Singapore	730	1,534
	509,685	**325,484**
Capital expenditure		
Within PRC	104,609	27,657
Singapore	15	13
	104,624	**27,670**

14. In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments.

Business segments

Revenue generated from the three main business segments, namely explosive devices, industrial fuse and initiating devices and industrial detonators, decreased by approximately 36.2%, 5.9% and 8.1% respectively. The decrease is mainly due to the impact of 2008 Beijing Olympics to our second quarter results and the current global economic conditions. Gross profit margins from these segments generally deteriorated during FY2009 due mainly to the increase in raw materials prices and the higher fixed costs per unit on lower production quantity.

Our newly acquired subsidiary, Hebei Yinguang, contributed approximately RMB 18.9 million of revenue during the current financial year. Gross profit margin for ammonium nitrate approximates 13.9% which is relatively lower than our main business segments mentioned above.

Geographical segments

During FY2008, PRC sales increased by approximately RMB 11.4 million or 7.5% and overseas sales decreased by approximately RMB 40.0 million or 45.6%. PRC and export revenue represents approximately 77.4% (FY2008: 63.4%) and 22.6% (FY2008: 36.6%) of the total revenue for FY2009.

Please refer to section 8 for more discussions on the geographical segments.

15. A breakdown of sales.

	Group		Increase/
	FY2009	**FY2008**	**(Decrease)**
	RMB'000	**RMB'000**	**%**
Revenue reported for first half year	71,444	97,804	(27.0)
Operating profit after tax reported for first half	12,618	22,105	(42.9)
Revenue reported for second half year	139,451	141,643	(1.5)
Operating profit after tax reported for second half	22,318	38,203	(41.6)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total annual dividend

	FY2009	**FY2008**
	RMB'000	**RMB'000**
Ordinary	-	6,154
Preference	-	-
Total	-	6,154

17. 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)	
		FY2009	**FY2008**	**FY2009**	**FY2008**
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	5,000	3,000	-	-
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	2,779	2,316	-	-
Feixian Yinguang Magnesium Co., Ltd	Purchase of magnesium materials	483	4,737	-	-
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	1,136	839	-	-
Shandong Yinguang Commerical Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	1,351	-	-	-

17. Interested Person Transaction (Cont'd)

		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)	
		FY2009	**FY2008**	**FY2009**	**FY2008**
Name of interested person	**Nature**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Shandong Yinguang Chemical Group Co., Ltd	Sales of ammonium nitrate	486	-	-	-
Shandong Yinguang Qianfeng Chemical Co., Ltd (1)	Sales of ammonium nitrate	-	-	5,059	-
Tai'an Yinguang Xinhua Chemical Co., Ltd (1)	Sales of ammonium nitrate	-	-	7,108	-

Footnote:

(1) With effect from 1 January 2009, the operations and businesses of Shandong Yinguang Qianfeng Chemical Co., Ltd ("Qianfeng") and Tai'an Yinguang Xinhua Chemical Co., Ltd ("Xinhua") were transferred to Shandong Yinguang Chemical Group Co., Ltd. ("Yinguang Group"). The above amounts referred to transactions carried out since date of acquisition of Hebei Yinguang till 31 March 2009. The relevant general mandate will be updated accordingly when it is proposed for renewal at the forthcoming Annual General Meeting.

18. Transactions with Beijing Aoxin Chemical Technology Development Co., Ltd ("Aoxin")

Aoxin is connected to our Directors and/or Controlling Shareholders which do not fall within the ambit of the definition of an "Interested Person" under Chapter 9 of the Listing Manual. We may continue with such transactions where the terms relating thereto are in the interest of, or beneficial to, our Group.

Aoxin is an import and export trading company. It is also one of the few export companies in the PRC with the relevant licence to export commercial explosives. Shandong Yinsheng Investments Co., Ltd, who is 54.3% owned by our executive officer, Sun Qiang, has a 9.9% interest in Aoxin. Our Managing Director is also a non-executive director of Aoxin.

We sell our products to Aoxin which in turn sells to its customers overseas. Although we have obtained our own export licence, we may also engage the services of Aoxin to export our products to our overseas customers due to certain commercial reasons. In these cases, we will negotiate the terms of sales and sign the sales contracts with our overseas customers. The transactions were entered into on normal commercial terms and on arm's length basis.

	FY2009	**FY2008**
Nature	**RMB'000**	**RMB'000**
Sales of commercial explosives to Aoxin	11,937	27,212
Sales of commercial explosives to our overseas customers through Aoxin	29,421	40,794

BY ORDER OF THE BOARD
SUN BOWEN
MANAGING DIRECTOR
25 MAY 2009