



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial Year ended 31 March 2014 (“FY2014”)

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		Increase/ (Decrease) %
	FY2014 RMB'000	FY2013 RMB'000	
Revenue	392,990	489,081	(19.6)
Cost of sales	(298,484)	(355,627)	(16.1)
Gross profit	94,506	133,454	(29.2)
<u>Other Items of Income</u>			
Interest income	665	884	(24.8)
Other credits – Note (i)	2,279	2,211	3.1
<u>Other Items of Expense</u>			
Distribution costs	(28,824)	(30,192)	(4.5)
Administrative expenses	(41,203)	(43,677)	(5.7)
Finance costs	(6,905)	(3,073)	124.7
Other charges– Note (ii)	(62,916)	(3,455)	1721.0
(Loss) / Profit before income tax	(42,398)	56,152	N.M.
Income tax expense	(15,145)	(24,644)	(38.5)
(Loss) / Profit attributable to shareholders	(57,543)	31,508	N.M.
Note (i) – Other Credits			
Allowance for impairment on trade receivables – reversal	171	24	612.5
Foreign exchange adjustment gain	47	-	N.M.
Gain on disposal of property, plant and equipment	-	71	N.M.
Gain on disposal of land use rights	-	128	N.M.
Government grants	806	1,988	(59.5)
Reversal of liabilities – Trade payables	1,255	-	N.M.
	2,279	2,211	3.1
Note (ii) – Other Charges			
Loss on disposal of property, plant and equipment	(1,213)	-	N.M.
Bad debts written-off	(5)	(8)	(37.5)
Foreign exchange adjustment loss	-	(1,121)	N.M.
Impairment loss on property, plant and equipment	(60,000)	-	N.M.
Property, plant and equipment written-off	-	(1,087)	N.M.
Allowance for impairment on inventories – loss	(328)	(208)	57.7
Allowance for impairment on trade receivables – loss	(1,370)	(1,031)	32.9
	(62,916)	(3,455)	1721.0

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)

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

	Group		Increase/ (Decrease) %
	FY2014 RMB'000	FY2013 RMB'000	
Allowance for impairment on trade receivables – loss	(1,370)	(1,031)	32.9
Allowance for impairment on trade receivables – reversal	171	24	612.5
Allowance for impairment of inventories - loss	(328)	(208)	57.7
Amortisation expenses	(3,664)	(3,515)	4.2
Bad debts written-off	(5)	(8)	(37.5)
Depreciation expenses	(20,561)	(20,160)	2.0
Foreign exchange adjustment gain/(loss)	47	(1,121)	N.M.
Impairment loss on property, plant and equipment	(60,000)	-	N.M.
Interest expense	(6,905)	(3,073)	124.7
Interest income from bank deposits	665	884	(24.8)
Property, plant and equipment written-off	-	(1,087)	N.M.
(Loss)/Gain on disposal of property, plant and equipment	(1,213)	71	N.M.
Gain on disposal of land use rights	-	128	N.M.
Reversal of liabilities – Trade payables	1,255	-	N.M.

Statement of Comprehensive Income

	Group		Increase/ (Decrease) %
	FY2014 RMB'000	FY2013 RMB'000	
(Loss)/Profit attributable to shareholders	(57,543)	31,508	N.M.
Foreign currency translation difference	(1,162)	306	N.M.
Total comprehensive (loss)/income for the period	<u>(58,705)</u>	<u>31,814</u>	N.M.

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 March 2014 RMB'000	31 March 2013 RMB'000	31 March 2014 RMB'000	31 March 2013 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	243,687	284,615	232	191
Intangible assets	3,953	4,815	-	-
Other assets, non-current	90,977	92,635	-	-
Investment in subsidiary	-	-	110,386	114,022
Deferred tax assets	3,183	4,428	-	-
Total non-current assets	341,800	386,493	110,618	114,213
Current assets :				
Inventories	63,874	63,080	-	-
Trade and other receivables (Note 1)	90,006	116,243	16,167	36,428
Other assets, current	7,724	15,080	142	66
Cash and cash equivalents	99,473	120,011	600	487
Total current assets	261,077	314,414	16,909	36,981
Total assets	602,877	700,907	127,527	151,194
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	194,706	263,139	9,720	27,299
Other reserves	82,211	80,401	(2,527)	2,271
Total equity	393,766	460,389	124,042	146,419
Non-Current liabilities :				
Deferred tax liabilities	3,781	5,144	-	-
Total non-current liabilities	3,781	5,144	-	-
Current liabilities :				
Income tax payable	689	3,316	-	-
Trade and other payables (Note 2)	108,798	133,821	3,485	4,768
Other financial liabilities, current	90,172	96,288	-	7
Other liabilities	5,671	1,949	-	-
Total current liabilities	205,330	235,374	3,485	4,775
Total liabilities	209,111	240,518	3,485	4,775
Total liabilities and equity	602,877	700,907	127,527	151,194
Note 1				
Trade receivables	85,591	107,242	-	-
Amount receivable from subsidiary	-	-	16,167	36,428
Tax recoverable	3,439	4,757	-	-
Other receivables	976	4,244	-	-
Trade and other receivables	90,006	116,243	16,167	36,428
Note 2				
Trade payables and accruals	83,737	106,316	3,171	4,596
Other payables	25,061	27,505	314	172
Trade and other payables	108,798	133,821	3,485	4,768

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 2014		31 March 2013	
Secured	Unsecured	Secured	Unsecured
62,000	28,172	68,007	28,281

Amount repayable after one year

(RMB'000)

31 March 2014		31 March 2013	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 March 2014, the Group has aggregate secured short-term loans from financial institutions of RMB 62.0 million while unsecured borrowings relates to a loan from a third party of RMB 8.2 million and a short-term loan from a financial institution of RMB 20.0 million.

Secured short-term bank loans of RMB 62.0 million are secured using our subsidiaries' land and buildings with net book value of approximately RMB 107.0 million. The secured short-term bank loans' interest rate ranged from 6.16% to 7.28% 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 20.0 million is guaranteed by a corporate guarantee from Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), and bears an interest rate of 7.2% 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	
	FY2014 RMB'000	FY2013 RMB'000
Cash flows from operating activities		
(Loss)/Profit before income tax	(42,398)	56,152
Adjustments for :		
Allowance for impairment on trade receivables – loss	1,370	1,031
Allowance for impairment on trade receivables – reversal	(171)	(24)
Allowance for impairment on inventories – loss	328	208
Amortisation expenses	3,664	3,515
Bad debts written-off	5	8
Depreciation expense	20,561	20,160
Loss/(Gain) on disposal of property, plant and equipment	1,213	(71)
Gain on disposal of land use rights	-	(128)
Impairment loss on property, plant and equipment	60,000	-
Property, plant and equipment written-off	-	1,087
Provision for safety expenses	4,437	6,287
Reversal of liabilities – Trade payables	(1,255)	-
Net effect of exchange rate changes in translation of financial statements of parent	(1,156)	304
Interest expenses	6,905	3,073
Interest income	(665)	(884)
Operating cash flows before changes in working capital	52,838	90,718
Inventories	(1,122)	(884)
Trade and other receivables	23,715	11,841
Other assets	7,356	28,885
Trade and other payables	(28,205)	31,709
Other liabilities	3,722	(710)
Net cash flows from operations before interest and tax	58,304	161,559
Income tax paid	(16,572)	(24,250)
Net cash from operating activities	41,732	137,309
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	698	941
Purchase of property, plant and equipment	(41,550)	(112,986)
Purchase of land use rights	(1,144)	(46,983)
Interest received	665	884
Net cash used in investing activities	(41,331)	(158,144)
Cash flows from financing activities		
Dividends paid	(7,918)	(11,831)
Proceeds from bank borrowings	126,000	98,000
Repayment of borrowings	(132,109)	(45,306)
Repayment of finance lease obligation	(7)	(87)
Interest paid	(6,905)	(3,073)
Net cash (used in) / from financing activities	(20,939)	37,703
Net (decrease) / increase in cash	(20,538)	16,868
Cash at beginning of the year	120,011	103,143
Cash at end of the year	99,473	120,011

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.

	Issued capital	Statutory reserves	Capital reserves ⁽¹⁾	Foreign currency translation reserves	Retained earnings	Total
Group (RMB'000)						
Balance at 1 April 2013	116,849	35,009	44,000	1,392	263,139	460,389
Appropriation for the year	-	2,972	-	-	(2,972)	-
Dividend paid	-	-	-	-	(7,918)	(7,918)
Total comprehensive income for the year	-	-	-	(1,162)	(57,543)	(58,705)
Balance at 31 March 2014	116,849	37,981	44,000	230	194,706	393,766
Balance at 1 April 2012	116,849	42,546	-	1,086	279,925	440,406
Capitalisation of Subsidiary's Retained Earnings and Statutory Reserves as Share Capital of Subsidiary	-	(13,000)	44,000	-	(31,000)	-
Appropriation for the year	-	5,463	-	-	(5,463)	-
Dividend paid	-	-	-	-	(11,831)	(11,831)
Total comprehensive income for the year	-	-	-	306	31,508	31,814
Balance at 31 March 2013	116,849	35,009	44,000	1,392	263,139	460,389

(1) During the last financial year, Yinguang Technology capitalised RMB 13.0 million and RMB 31.0 million from Statutory Reserves and Retained Earnings, respectively as its Share Capital.

	Issued capital	Foreign currency translation reserves	Retained earnings	Total
Company (RMB'000)				
Balance at 1 April 2013	116,849	2,271	27,299	146,419
Dividend paid	-	-	(7,918)	(7,918)
Total comprehensive income for the year	-	(4,798)	(9,661)	(14,459)
Balance at 31 March 2014	116,849	(2,527)	9,720	124,042
Balance at 1 April 2012	116,849	1,241	31,635	149,725
Dividend paid	-	-	(11,831)	(11,831)
Total comprehensive income for the year	-	1,030	7,495	8,525
Balance at 31 March 2013	116,849	2,271	27,299	146,419

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 2014	31 March 2013
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.

(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

Group	
FY2014	FY2013
RMB cents	RMB cents
(24.59)	13.46
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 2014	31 March 2013	31 March 2014	31 March 2013
	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	168.28	196.75	53.01	62.57
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 and seismic charges; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators; and (d) ammonium nitrate. The breakdown of our revenue by the above-mentioned product types and geographical segments during the financial year ended 31 March 2013 ("FY2013") and financial year ended 31 March 2014 ("FY2014") are as follows:

Product Types	Group				% change
	FY2014		FY2013		
	RMB'000	%	RMB'000	%	
Explosive devices	126,227	32.1	165,541	33.9	(23.7)
Industrial fuse and initiating explosive devices	89,505	22.8	105,576	21.6	(15.2)
Industrial detonators	91,678	23.3	85,802	17.5	6.8
Ammonium Nitrate	85,101	21.7	131,102	26.8	(35.1)
Others ⁽¹⁾	479	0.1	1,060	0.2	(54.8)
	392,990	100.0	489,081	100.0	(19.6)

Geographical Segments	Group				% change
	FY2014		FY2013		
	RMB'000	%	RMB'000	%	
Within PRC	277,403	70.6	352,095	72.0	(21.2)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	12,930	3.3	24,415	5.0	(47.0)
Australia	95,004	24.2	98,007	20.0	(3.1)
Others	7,653	1.9	14,564	3.0	(47.5)
	115,587	29.4	136,986	28.0	(15.6)
	392,990	100.0	489,081	100.0	(19.6)

Note :

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

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

Revenue

Revenue for FY2014 decreased by approximately RMB 96.1 million or 19.6% to RMB 393.0 million from RMB 489.1 million in FY2013. The decrease in revenue was mainly attributed to the lower sales posted by our product segments except for industrial detonators which registered a growth of 6.8%.

a) Sales within PRC

Sales within PRC decreased by approximately RMB 74.7 million or 21.2% mainly due to the decrease in sales of ammonium nitrate by RMB 46.0 million or 35.1%, decrease in sales of explosives devices by RMB 20.7 million or 53.8% and decrease in sales of industrial fuse and initiating devices by RMB 13.6 million or 13.5%.

Notably, the market-driven selling prices of explosive-grade ammonium nitrate continued to experience downward pressure amid weak market conditions, which significantly impacted our ammonium nitrate selling price and quantity.

Explosives devices and industrial fuse and initiating devices decreased mainly due to the loss of sales during the unrelated explosions accident in May/June 2013, which resulted in heightened safety checks and controls thereby curtailing our production capacities as mentioned in the profit warning announcement issued on 14 March 2014.

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)**

b) Sales through export distributors

Sales through export distributors decreased by approximately RMB 11.5 million or 47.0% from RMB 24.4 million during FY2013 to RMB 12.9 million during FY2014. The decline is mainly due to the decrease in sales to South Africa through an export distributor.

c) Sales to Australia

Sales to Australia decreased marginally by approximately RMB 3.0 million or 3.1%.

d) Sales to other countries

Sales to other countries decreased by approximately RMB 6.9 million or 47.5% due mainly to the softening global commodity prices which translated to reduced mining activities.

The drop in sales to other countries is mainly due to lower sales to Kyrgyzstan and Dyno Nobel Indonesia during the current financial year under review.

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").

Gross profit margin

Gross profit margin dipped by approximately 3.3 percentage points to 24.0% in FY2014, as compared to 27.3% in FY2013. The lower gross profit margin was mainly attributed to the lower market-driven selling prices for ammonium nitrate and the rising raw materials costs (such as PETN and RDX) during the current financial year under review.

The market-driven selling prices of ammonium nitrate and sales volume decreased by approximately 15.9% and 22.6% respectively during FY2014, as compared to FY2013.

The temporary cease production directive during May/June 2013 and the rising raw materials costs (such as PETN and RDX) of other product segments also affected the Group's overall gross profit margin.

Interest income / (Finance costs)

Interest income decreased by approximately RMB 219,000 mainly due to lower average bank deposits during the current financial year.

Finance costs increased by approximately RMB 3.8 million during the current financial year due to the increase in average bank loans during the current financial year. During February/March 2014, a net amount of approximately RMB 22.0 million were due and repaid and the loans were drawn down again in April 2014. The increased bank loans in FY2014 were meant to repay the vendor for the acquisition of land and buildings as disclosed in earlier announcements.

Other credits

Other credits relate to foreign exchange adjustment gain of approximately RMB 47,000, reversal of liabilities – Trade payables of approximately RMB 1.3 million, government grants of RMB 0.8 million and write back of allowance for impairment on trade receivables of approximately RMB 171,000.

Reversal of liabilities – Trade payables relate to some old non-payable trade creditors being reversed during the current financial year. The government grants were issued by Shandong Province, Fei County and Hebei Province, Linxi County's government entities for our subsidiaries on an ad hoc basis. Foreign exchange adjustment loss arose from foreign exchange rate changes between Renminbi (RMB), United States Dollars (USD) and Singapore Dollars (SGD).

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)**

Other charges

Other charges relate to the loss on disposal of property, plant and equipment of approximately RMB 1.2 million, bad debts written-off of RMB 5,000, impairment loss on property, plant and equipment of RMB 60.0 million, allowance for impairment on inventories and trade receivables of approximately RMB 0.3 million and RMB 1.4 million respectively.

Loss on disposal of property, plant and equipment is mainly due to the disposal of unused or retired specialized machineries during the current financial year. In finalizing the financial report, the directors determined it appropriate to recognize an impairment of property, plant and equipment relating to its ammonium nitrate business in China. The impairment was determined after comparing the discounted estimated future cash flows of Hebei Yinguang against the carrying value of the relevant property, plant and equipment and, as a result, an amount of RMB 60.0 million has been recognized as an impairment loss.

Operating expenses

In line with lower sales revenue recorded, distribution costs decreased by approximately RMB 1.4 million or 4.5% from FY2013's RMB 30.2 million to FY2014's RMB 28.8 million and administrative expenses also decreased by approximately RMB 2.5 million or 5.7% from FY2013's RMB 43.7 million to FY2014's RMB 41.2 million. While the Group registered lower operating expenses, it was partially offset by higher salary and related expenses that increased by approximately 10%-15% among all the employees in view of the inflationary situation in China.

Income tax expenses

The effective tax rate for FY2014 (before adjusting for impairment loss as mentioned above) was 86.0% (FY2013: 43.9%). This is significantly higher than the PRC concessionary tax rate of 25.0% mainly due to the underprovision of income tax for the previous financial year of approximately RMB 4.0 million and other non-deductible expenses for the current financial year, including the losses incurred by Hebei Yinguang. Exercising prudence, there was no deferred tax assets recognised for Hebei Yinguang.

Statement of Financial Position

Property, plant and equipment decreased by approximately RMB 40.9 million, mainly due to an impairment loss charge of RMB 60.0 million on Hebei Yinguang's property, plant and equipment and the depreciation charged for the current financial year, which is partially offset by the acquisition of property, plant and equipment for the boosters upgrading and detonating cords expansion projects.

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 0.9 million mainly due to the amortisation charges during the current financial year.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 1.7 million mainly due to amortisation charges during the current financial year of approximately RMB 2.8 million, partially offset by a payment of land use rights of approximately RMB 1.1 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 24.5%, 34.5%, 2.9% and 38.1% respectively of our total current assets as at 31 March 2014.

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)**

Statement of Financial Position (cont'd)

Inventories remained relatively leveled at RMB 63.9 million as at 31 March 2014 as compared to RMB 63.1 million as at 31 March 2013.

Trade receivables decreased by approximately RMB 21.7 million mainly due to decreased in sales revenue. Other receivables decreased by approximately RMB 3.3 million, mainly due to the receipt of sales proceeds of RMB 3.0 million from the sale of land use rights to the Linxi County, Hebei Province.

Other assets, current comprising the Group's prepayments, decreased by approximately RMB 7.4 million to RMB 7.7 million as at 31 March 2014. The decrease is mainly due to lower prepayments for raw materials.

As at 31 March 2014, the Group's current liabilities comprised of income tax payable of RMB 0.7 million, trade and other payables of approximately RMB 108.8 million, other current financial liabilities of approximately RMB 90.2 million and other liabilities of RMB 5.7 million. Non-current liabilities comprised of deferred tax liabilities of RMB 3.8 million.

Trade payables and accruals decreased by approximately RMB 22.6 million mainly due to the payment to creditors for the purchase of raw materials.

As at 31 March 2014, other current financial liabilities of RMB 90.2 million comprised of bank loans of RMB 82.0 million and third party loan of RMB 8.2 million. The decrease of RMB 6.1 million from RMB 96.3 million as at 31 March 2013 was mainly due to the repayment of bank loans in February/March 2014 of approximately RMB 22.0 million, partially offset by the increase in bank loans for the payment for the acquisition of land and buildings.

Other liabilities of RMB 5.7 million comprise RMB 3.7 million of advances from customers and RMB 2.0 million of deferred income relating to a government grant for certain specialised plant and equipment.

Deferred tax liabilities of RMB 3.8 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 China subsidiary.

Cash flow

For the financial year ended 31 March 2014, the Group recorded net cash generated from operating activities of approximately RMB 41.7 million, net cash used in investing activities of approximately RMB 41.3 million and net cash used in financing activities of approximately RMB 20.9 million.

The net cash generated from operating activities is mainly due to an improved trade receivables collection from customers, decrease in prepayment for bulk purchase of raw materials but partially offset by increased payments to creditors for raw materials.

The net cash used in investing activities of approximately RMB 41.3 million is mainly due to the acquisition of property, plant and equipment for boosters, detonating cords and ammonium nitrate expansion/upgrading projects.

The net cash used in financing activities of approximately RMB 20.9 million is mainly due to the repayment of borrowings of RMB 132.1 million, payment of dividends of approximately RMB 7.9 million and payment of interest expenses of RMB 6.9 million, partially offset by proceeds from bank borrowings of approximately RMB 126.0 million.

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

Other than the Profit Warning issued on 14 March 2014, no other forecast or prospect statement has been issued.

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

Update on the new ammonium nitrate production facilities

Following our earlier announcements on the new ammonium nitrate production facilities, the construction of the new facilities has been temporarily 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 experienced an operating loss for the current financial year and it is projected that the Group's ammonium nitrate business will continue to incur operating losses for the following financial year until the market conditions improve.

In view of the weak market conditions and continuing losses, the management had performed an impairment test exercise during the current financial year-end and charged an impairment loss of RMB 60.0 million on Hebei Yinguang's property, plant and equipment.

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

Update on raw materials price trend

As mentioned in our previous announcements, the Group has encountered a rising trend in raw materials prices (such as PETN and RDX) over the last few financial years, and it is expected that this trend will continue in the coming financial year.

To mitigate the impact of rising raw materials costs, the management will also continue to closely monitor the price trend of the Group's raw materials and enhance the cost containment and productivity initiatives in our operating activities.

11. Dividend

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

Yes.

Details of dividend

Name of dividend : Special
Dividend type : Cash
Dividend rate : S\$0.002 per ordinary share (tax exempt one-tier)

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

Yes.

Details of dividend

Name of dividend : First and final
Dividend type : Cash
Dividend rate : S\$0.007 per ordinary share (tax exempt one-tier)

- (c) ***Date payable***

To be announced later.

- (d) ***Books closure date***

To be announced later.

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

Not applicable.

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)	
		FY2014	FY2013	FY2014	FY2013
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	5,315	6,027	–	–
Shandong Yinguang Commerical Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	6,134	2,299	–	–
Shandong Yinguang Minbao Qicai Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	19,292	3,606	–	1,712
Shandong Yinguang Drawnwork Co., Ltd	Purchase of textile products	554	–	–	–
Dyno Nobel ⁽²⁾	Sales of commercial explosives	–	–	19,710	29,420

Footnotes:

⁽¹⁾ The relevant general mandate was updated and approved at the Annual General Meeting (“AGM”) held on 28 July 2011. However, it was not updated during the AGM held on 27 July 2012 after considering the immateriality of the amount transacted. As such, transactions after 27 July 2012 will not be considered as conducted under shareholders mandate pursuant to Rule 920. Shandong Yinguang Chemical Group Co., Ltd transferred the business to Shandong Yinguang Minbo Qicai Co., Ltd.

⁽²⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011 and was updated and approved at the AGM held on 27 July 2012.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. **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 four major operating segments classified according to the usage of our products. The five segments are (a) explosive devices such as boosters and seismic charges; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators and (d) ammonium nitrate.

Profit or Loss from Continuing Operations and Reconciliations

RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
FY2014						
Revenue by segment	126,227	89,505	91,678	85,101	479	392,990
Recurring EBITDA ¹	27,493	31,477	32,586	(4,848)	137	86,845
Impairment loss	-	-	-	(60,000)	-	(60,000)
Depreciation	(2,511)	(1,306)	(6,959)	(5,167)	(4,618)	(20,561)
Amortisation	(212)	-	(232)	(1,140)	(2,080)	(3,664)
ORBIT ²	24,770	30,171	25,395	(71,155)	(6,561)	2,620
Interest income					665	665
Finance costs					(6,905)	(6,905)
Unallocated corporate expenses					(38,778)	(38,778)
Loss before income tax from continuing operations						(42,398)
Income tax expenses						(15,145)
Loss from continuing operations						(57,543)

FY2013						
Revenue by segment	165,541	105,576	85,802	131,102	1,060	489,081
Recurring EBITDA ¹	45,003	44,888	35,200	4,355	833	130,279
Depreciation	(2,522)	(1,352)	(6,946)	(5,449)	(3,891)	(20,160)
Amortisation	(297)	-	(233)	(1,152)	(1,833)	(3,515)
ORBIT ²	42,184	43,536	28,021	(2,246)	(4,891)	106,604
Interest income					884	884
Finance costs					(3,073)	(3,073)
Unallocated corporate expenses					(48,263)	(48,263)
Profit before income tax from continuing operations						56,152
Income tax expenses						(24,644)
Profit from continuing operations						31,508

¹ EBITDA refers to earnings from operations before depreciation, amortization, impairment, interests and income taxes

² ORBIT refers to operating result before interests and income taxes and other unallocated items

14. **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)**

Assets and Reconciliations

RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
FY2014						
Total assets for reporting segments	68,416	83,303	102,792	67,621	–	322,132
Unallocated:						
Property, plant & equipment					53,299	53,299
Other assets, non-current					43,035	43,035
Deferred tax assets					3,183	3,183
Inventories					22,449	22,449
Trade and other receivables					65,858	65,858
Other assets					4,470	4,470
Cash and cash equivalents					88,451	88,451
Total group assets	68,416	83,303	102,792	67,621	280,745	602,877

FY2013						
Total assets for reporting segments	63,788	64,245	106,208	164,247	–	398,488
Unallocated:						
Property, plant & equipment					50,436	50,436
Other assets, non-current					43,971	43,971
Deferred tax assets					4,428	4,428
Inventories					28,627	28,627
Trade and other receivables					80,366	80,366
Other assets					7,356	7,356
Cash and cash equivalents					87,235	87,235
Total group assets	63,788	64,245	106,208	164,247	302,419	700,907

14. **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)**

Liabilities and Reconciliations

RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
FY2014						
Total liabilities for reporting segments	2,175	1,182	2,768	72,317	–	78,442
Unallocated:						
Deferred tax liabilities					3,781	3,781
Income tax payable					689	689
Trade and other payables					73,023	73,023
Other liabilities					5,176	5,176
Other financial liabilities					48,000	48,000
Total group liabilities	2,175	1,182	2,768	72,317	130,669	209,111

FY2013						
Total liabilities for reporting segments	2,068	708	1,839	93,956	–	98,571
Unallocated:						
Deferred tax liabilities					5,144	5,144
Income tax payable					3,316	3,316
Trade and other payables					63,772	63,772
Other liabilities					1,708	1,708
Other financial liabilities					68,007	68,007
Total group liabilities	2,068	708	1,839	93,956	141,947	240,518

Other Material Items and Reconciliations

RMB'000	Explosive devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium Nitrate	Unallocated	Total
Impairment loss						
FY2014	–	–	–	60,000	–	60,000
FY2013	–	–	–	–	–	–
Other non-cash expenses other than depreciation/amortisation						
FY2014	–	–	–	–	319	319
FY2013	–	–	–	–	2,111	2,111
Expenditures for non-current assets:						
FY2014	4,317	19,102	2,449	7,670	9,157	42,695
FY2013	6,533	35,815	1,949	23,698	4,721	72,716

14. **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 information

The following table provides an analysis of the group revenue by geographical market irrespective of the origin of the goods and services and non-current assets by geographical market:-

RMB'000	Revenue		Non-current assets	
	FY2014	FY2013	FY2014	FY2013
Within PRC	277,403	352,095	338,385	381,874
<u>Outside PRC</u>				
Sales through export distributors	12,930	24,415	–	–
Australia	95,004	98,007	–	–
Singapore	–	–	232	191
Others *	7,653	14,564	–	–
Subtotal for all foreign countries	115,587	136,986	232	191
Total continuing operations	392,990	489,081	338,617	382,065

* Others include Kyrgyzstan, Mongolia, Indonesia

Revenue are attributed to countries on the basis of the customers' location. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

15. **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 all our operating segments had decreased, except for industrial detonators which registered a growth of 6.8%. The decrease is mainly due to the decrease in sales of ammonium nitrate due to the weak market conditions for ammonium nitrate and the impact from the May/June explosion at a unrelated commercial explosives manufacturing plant which resulted in a "cease production" directive from 20 May 2013 to 14 June 2013. Moreover, the softening of global commodity prices which translated to reduced mining activities also caused our sales volume to reduce.

Geographical segments

PRC sales decreased by approximately RMB 74.7 million or 21.2% and overseas sales decreased by approximately RMB 21.4 million or 15.6% in FY2014. PRC and export revenue represents approximately 70.6% (FY2013: 72.0%) and 29.4% (FY2013: 28.0%) of the total revenue for FY2014. The decrease in proportion of local PRC sales over overseas sales is mainly due to the decreased in sales of ammonium nitrate within PRC.

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

16. A breakdown of sales.

	Group		Increase/ (Decrease)
	FY2014	FY2013	%
	RMB'000	RMB'000	
Revenue reported for first half year	220,570	292,733	(24.7)
Operating profit after tax reported for first half	7,377	28,204	(73.8)
Revenue reported for second half year	172,420	196,348	(12.2)
Operating (loss)/profit after tax reported for second half	(64,920)	3,304	N.M.

17. 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

	FY2014	FY2013
	RMB'000	RMB'000
Ordinary	7,918	11,831
Preference	-	-
Total	7,918	11,831

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Sun Qiang	42	Son of Sun Bowen, the Managing Director	Current Position: Sales and Marketing Manager. Duties: Responsible for the sales and marketing function of the Group. Year position first held: 2003	No changes in duties and position during the year.

**BY ORDER OF THE BOARD
SUN BOWEN
MANAGING DIRECTOR
30 MAY 2014**