



Fabchem China Limited

Company registration number: 200413128G

Financial Statements for the Second Quarter ended 30 September 2014 (“2Q2015”)

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

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

	Group			Group		
	3 months from 1 Jul 2014 to 30 Sept 2014 RMB'000	3 months from 1 Jul 2013 to 30 Sept 2013 RMB'000	Increase/(Decrease) %	6 months from 1 Apr 2014 to 30 Sept 2014 RMB'000	6 months from 1 Apr 2013 to 30 Sept 2013 RMB'000	Increase/(Decrease) %
Revenue	96,969	113,792	(14.8)	208,734	220,570	(5.4)
Cost of sales	(63,758)	(84,941)	(24.9)	(143,267)	(168,715)	(15.1)
Gross profit	33,211	28,851	15.1	65,467	51,855	26.3
Other Items of Income						
Interest income	404	255	58.4	650	379	71.5
Other credits – Note (i)	208	604	65.6	1,006	821	22.5
Other Items of Expense						
Distribution costs	(7,595)	(7,745)	(1.9)	(15,724)	(15,433)	1.9
Administrative expenses	(10,516)	(10,152)	3.6	(21,478)	(20,746)	3.5
Financial costs	(2,277)	(1,736)	31.2	(4,394)	(3,394)	29.5
Other charges– Note (ii)	(67)	(538)	(87.5)	-	(5)	N.M.
Profit before income tax	13,368	9,539	40.1	25,527	13,477	89.4
Income tax expense	(5,048)	(3,841)	31.4	(10,188)	(6,100)	67.0
Profit attributable to shareholders	8,320	5,698	46.0	15,339	7,377	107.9
Note (i) – Other Credits						
Foreign exchange adjustment gain	-	-	-	676	212	218.9
Gain on disposal of property, plant and equipments	-	74	N.M.	-	74	N.M.
Government Grant	205	530	(61.3)	327	530	(38.3)
Allowance for impairment on trade receivables - reversal	3	-	N.M.	3	5	(40.0)
	208	604	(65.6)	1,006	821	22.5
Note (ii) – Other Charges						
Bad debts written-off	-	-	-	-	(5)	N.M.
Foreign exchange adjustment loss	(67)	(538)	(87.5)	-	-	-
	(67)	(538)	(87.5)	-	(5)	N.M.

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

Allowance for impairment on trade receivables - reversal	3	-	N.M.	3	5	(40.0)
Amortisation expenses	(1,022)	(899)	13.7	(1,861)	(1,794)	3.7
Depreciation expenses	(5,201)	(5,089)	2.2	(9,853)	(10,063)	(2.1)
Foreign exchange adjustment (loss) / gain	(67)	(538)	(87.5)	676	212	218.9
Gain on sale of property, plant and equipments	-	74	N.M.	-	74	N.M.
Interest expense	(2,277)	(1,736)	31.2	(4,394)	(3,394)	29.5
Interest income from bank deposits	404	255	58.4	650	379	71.5

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

	Group			Group		
	3 months from 1 Jul 2014 to 30 Sept 2014 RMB'000	3 months from 1 Jul 2013 to 30 Sept 2013 RMB'000	Increase/(Decrease) %	6 months from 1 Apr 2014 to 30 Sept 2014 RMB'000	6 months from 1 Apr 2013 to 30 Sept 2013 RMB'000	Increase/(Decrease) %
Profit attributable to shareholders	8,320	5,698	46.0	15,339	7,377	107.9
Foreign currency translation difference	(125)	(13)	861.5	(48)	(1,162)	(95.9)
Total comprehensive income for the period	<u>8,195</u>	<u>5,685</u>	44.2	<u>15,291</u>	<u>6,215</u>	146.0

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 Sept 2014 RMB'000	31 March 2014 RMB'000	30 Sept 2014 RMB'000	31 March 2014 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	242,203	243,687	173	232
Intangible assets	3,521	3,953	-	-
Other assets, non-current	91,566	90,977	-	-
Investment in subsidiary	-	-	108,851	110,386
Deferred tax assets	3,305	3,183	-	-
Total non-current assets	340,595	341,800	109,024	110,618
Current assets :				
Inventories	64,694	63,874	-	-
Trade and other receivables (Note 1)	85,789	90,006	8,405	16,167
Other assets, current	9,516	7,724	183	142
Cash and cash equivalents	163,563	99,473	448	600
Total current assets	323,562	261,077	9,036	16,909
Total assets	664,157	602,877	118,060	127,527
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	204,899	194,706	1,635	9,720
Other reserves	85,007	82,211	(4,110)	(2,527)
Total equity	406,755	393,766	114,374	124,042
Non-Current liabilities :				
Deferred tax liabilities	4,011	3,781	-	-
Total non-current liabilities	4,011	3,781	-	-
Current liabilities :				
Income tax payable	4,649	689	-	-
Trade and other payables (Note 2)	139,291	108,798	3,686	3,485
Other financial liabilities, current	105,672	90,172	-	-
Other liabilities	3,779	5,671	-	-
Total current liabilities	253,391	205,330	3,686	3,485
Total liabilities	257,402	209,111	3,686	3,485
Total liabilities and equity	664,157	602,877	118,060	127,527
Note 1				
Trade receivables	81,318	85,591	-	-
Amount receivable from subsidiary	-	-	8,405	16,167
Tax recoverable	3,439	3,439	-	-
Other receivables	1,032	976	-	-
Trade and other receivables	85,789	90,006	8,405	16,167
Note 2				
Trade payables and accruals	117,388	83,737	2,938	3,171
Other payables	21,903	25,061	748	314
Trade and other payables	139,291	108,798	3,686	3,485

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

Amount repayable in one year or less, or on demand

(RMB'000)

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

Amount repayable after one year

(RMB'000)

30 September 2014		31 March 2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 September 2014, the Group has secured borrowings comprising secured short-term loans from financial institutions of RMB 67.5 million. Unsecured borrowings relates to a loan from a third party of RMB 8.2 million and short-term loans from financial institutions of RMB 30.0 million.

Secured short-term bank loans of RMB 67.5 million are secured using Shandong Yinguang Technology Co., Ltd's ("Yinguang Technology") land and buildings with net book value of approximately RMB 90.0 million. The secured short-term bank loans' interest rates ranged from 6.048% to 6.48% per annum.

Unsecured borrowing of RMB 8.2 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd. Unsecured short-term bank loan of RMB 30.0 million is guaranteed by a corporate guarantee from Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Chemical Group"), the former holding company of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), and bear interest rate of 7.5% per annum.

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

	Group		Group	
	3 months from 1 Jul 2014 to 30 Sept 2014 RMB'000	3 months from 1 Jul 2013 to 30 Sept 2013 RMB'000	6 months from 1 Apr 2014 to 30 Sept 2014 RMB'000	6 months from 1 Apr 2013 to 30 Sept 2013 RMB'000
Cash flows from operating activities				
Profit before income tax	13,368	9,539	25,527	13,477
Adjustments for :				
Amortisation expenses	1,022	899	1,861	1,794
Allowance for impairment on trade receivables - reversal	(3)	-	(3)	(5)
Bad debts written off	-	-	-	5
Depreciation expense	5,201	5,089	9,853	10,063
Gain on sale of property, plant and equipments	-	(74)	-	(74)
Provision for safety expenses	936	1,483	2,314	2,873
Interest income	(404)	(255)	(650)	(379)
Interest expenses	2,277	1,736	4,394	3,394
Net effect of exchange rate changes in translation of financial statements of Parent	(122)	(6)	(46)	(1,157)
Operating profit before working capital changes	22,275	18,411	43,250	29,991
Inventories	(329)	8,724	(820)	20,711
Trade and other receivables	19,202	16,005	4,220	13,054
Other assets	9,082	(1,761)	(1,792)	(1,253)
Trade and other payables	(21,774)	3,229	28,179	(26,089)
Other liabilities	(577)	(118)	(1,892)	68
Cash generated from operations	27,879	44,490	71,145	36,482
Income tax paid	(3,790)	(2,265)	(6,120)	(5,931)
Net cash from operating activities	24,089	42,225	65,025	30,551
Cash flows from investing activities				
Proceeds from sale of property, plant and equipments	-	92	-	92
Proceeds from sale of land use rights	-	-	-	2,985
Purchase of property, plant and equipments	(1,797)	(17,224)	(8,371)	(26,836)
Purchase of land use rights	(3)	-	(2,018)	-
Interest received	404	255	650	379
Net cash used in investing activities	(1,396)	(16,877)	(9,739)	(23,380)
Cash flows from financing activities				
Payment of dividends	(2,302)	(7,919)	(2,302)	(7,919)
Repayment of finance lease obligation	-	-	-	(7)
Proceeds from bank borrowings	29,000	40,000	119,500	84,000
Repayment of borrowings	(30,000)	(28,026)	(104,000)	(68,073)
Interest paid	(2,277)	(1,736)	(4,394)	(3,394)
Net cash (used in)/from financing activities	(5,579)	2,319	8,804	4,607
Net increase in cash	17,114	27,667	64,090	11,778
Cash at beginning of the period	146,449	104,122	99,473	120,011
Cash at end of the period	163,563	131,789	163,563	131,789

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Statutory reserves	Capital reserve	Foreign exchange translation reserves	Retained earnings	Total
Group (RMB'000)						
Balance at 1 April 2014	116,849	37,981	44,000	230	194,706	393,766
Appropriation for the period	-	1,445	-	-	(1,445)	-
Total comprehensive income for the period	-	-	-	77	7,019	7,096
Balance at 30 June 2014	116,849	39,426	44,000	307	200,280	400,862
Appropriation for the period	-	1,399	-	-	(1,399)	-
Dividend paid	-	-	-	-	(2,302)	(2,302)
Total comprehensive (loss)/income for the period	-	-	-	(125)	8,320	8,195
Balance at 30 September 2014	116,849	40,825	44,000	182	204,899	406,755
Balance at 1 April 2013	116,849	35,009	44,000	1,392	263,139	460,389
Appropriation for the period	-	629	-	-	(629)	-
Total comprehensive (loss)/income for the period	-	-	-	(1,149)	1,679	530
Balance at 30 June 2013	116,849	35,638	44,000	243	264,189	460,919
Appropriation for the period	-	1,045	-	-	(1,045)	-
Dividend paid	-	-	-	-	(7,919)	(7,919)
Total comprehensive (loss)/income for the period	-	-	-	(13)	5,698	5,685
Balance at 30 September 2013	116,849	36,683	44,000	230	260,923	458,685
Company (RMB'000)						
	Share capital	Foreign exchange translation reserve	Retained earnings	Total		
Balance at 1 April 2014	116,849	(2,527)	9,720	124,042		
Total comprehensive income/(loss) for the period	-	727	(2,599)	(1,872)		
Balance at 30 June 2014	116,849	(1,800)	7,121	122,170		
Dividend paid	-	-	(2,302)	(2,302)		
Total comprehensive loss for the period	-	(2,310)	(3,184)	(5,494)		
Balance at 30 September 2014	116,849	(4,110)	1,635	114,374		
Balance at 1 April 2013	116,849	2,271	27,299	146,419		
Total comprehensive loss for the period	-	(5,279)	(1,185)	(6,464)		
Balance at 30 June 2013	116,849	(3,008)	26,114	139,955		
Dividend paid	-	-	(7,919)	(7,919)		
Total comprehensive income/(loss) for the period	-	323	(2,859)	(2,536)		
Balance at 30 September 2013	116,849	(2,685)	15,336	129,500		

1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not Applicable.

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

	Group	
	30 September 2014	31 March 2014
Total number of issued shares	234,000,000	234,000,000

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

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

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

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

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

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

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

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

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

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

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

	Group		Group	
	3 months ended 30 Sept 2014	3 months ended 30 Sept 2013	6 months ended 30 Sept 2014	6 months ended 30 Sept 2013
	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per ordinary share for the year based on net profit attributable to shareholders :				
Based on weighted average number of ordinary shares in issue	3.56	2.44	6.56	3.15
Weighted average number of ordinary shares in issue for basic earnings per share	234,000,000	234,000,000	234,000,000	234,000,000

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

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

	Group		Company	
	30 Sept 2014	31 March 2014	30 Sept 2014	31 March 2014
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued capital at the end of the financial year	173.83	168.28	48.88	53.01
Number of shares used in calculating net asset value	234,000,000	234,000,000	234,000,000	234,000,000

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

Revenue

Revenue for the 3-month period ended 30 September 2014 ("2Q2015") decreased by approximately RMB 16.8 million or 14.8%, from RMB 113.8 million of the 3-month period ended 30 September 2013 ("2Q2014") to RMB 97.0 million in 2Q2015. The decrease in revenue is mainly due to the decrease in sales of ammonium nitrate by RMB 23.1 million in 2Q2015.

Our products can be categorised mainly into (a) explosive devices such as boosters, seismic charges and tube charges; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators; and (d) ammonium nitrate. The breakdown and comparison of our revenue by the above product types and geographical segments between 2Q2015 and 2Q2014 and between 6-month period ended 30 September 2014 ("6M2015") and the 6-month period ended 30 September 2013 ("6M2014") are as follows:

	2Q2015		2Q2014		% change
	RMB'000	%	RMB'000	%	
Explosives devices	40,999	42.3	34,843	30.6	17.7
Industrial fuse and initiating explosive devices	29,331	30.2	25,652	22.6	14.3
Industrial detonators	21,101	21.8	24,850	21.8	(15.1)
Ammonium Nitrate	5,312	5.5	28,447	25.0	(81.3)
Others ⁽¹⁾	226	0.2	-	-	N.M.
	96,969	100.0	113,792	100.0	(14.8)
Within PRC	56,836	58.6	81,474	71.6	(30.2)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	1,952	2.0	5,821	5.1	(66.5)
Australia	34,510	35.6	23,878	21.0	44.5
Others	3,671	3.8	2,619	2.3	40.2
	40,133	41.4	32,318	28.4	24.2
	96,969	100.0	113,792	100.0	(14.8)
	6M2015		6M2014		% change
	RMB'000	%	RMB'000	%	
Explosives devices	76,550	36.7	64,903	29.4	17.9
Industrial fuse and initiating explosive devices	60,494	29.0	54,438	24.7	11.1
Industrial detonators	42,121	20.2	49,083	22.3	(14.2)
Ammonium Nitrate	29,142	13.9	52,145	23.6	(44.1)
Others ⁽¹⁾	427	0.2	1	-	N.M.
	208,734	100.0	220,570	100.0	(5.4)
Within PRC	138,200	66.2	160,190	72.6	(13.7)
<u>Outside PRC</u>					
Sales through export distributors ⁽²⁾	1,952	0.9	9,653	4.4	(79.8)
Australia	60,750	29.1	47,019	21.3	29.2
Others	7,832	3.8	3,708	1.7	111.2
	70,534	33.8	60,380	27.4	16.8
	208,734	100.0	220,570	100.0	(5.4)

Note :

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

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

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

Revenue (cont'd)

a) **Sales within PRC**

During 2Q2015, sales within PRC decreased by approximately RMB 24.6 million or 30.2% as compared to 2Q2014. The decrease was mainly due to the lower PRC sales of ammonium nitrate and industrial detonators by approximately RMB 23.1 million and RMB 3.3 million, respectively.

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

b) **Sales through export distributors**

Sales through export distributors decreased by RMB 3.9 million or 66.5% and RMB 7.7 million or 79.8% during 2Q2015 and 6M2015, respectively. The decline is mainly due to the decrease in sales to South Africa through an export distributor.

c) **Sales to Australia**

During 2Q2015 and 6M2015, sales to Australia increased by approximately RMB 10.6 million or 44.5% and RMB 13.7 million or 29.2% respectively. The increase is mainly attributed to higher sales to both Orica Australia and Dyno Nobel Australia.

d) **Sales to other countries**

During 2Q2015 and 6M2015, sales to other countries increased by approximately RMB 1.1 million and RMB 4.1 million respectively. The increment is mainly due to higher sales to other countries, namely Indonesia, Mongolia and Kyrgyzstan.

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

Gross profit margin

During 2Q2015, the Group's gross profit margin improved by approximately 8.8 percentage points, from 25.4% in 2Q2014 to 34.2% in 2Q2015. For 6M2015, the Group's gross profit margin also improved by approximately 7.9 percentage points, from 23.5% in 6M2014 to 31.4% in 6M2015.

Gross profit margin for our ammonium nitrate product segment improved marginally due to lower depreciation charged for 6M2015 as majority of our ammonium nitrate's fixed assets have been impaired as at 31 March 2014. The impairment of the Group's ammonium nitrate business activities, under Hebei Yinguang, was determined by the directors to ensure that the Group's balance sheet conservatively reflect asset values as it is projected that the Group's ammonium nitrate business activities will continue to incur operating losses until market conditions improve.

Overall, the improvement in the Group's gross profit margin in 6M2015 was mainly attributed to the change in the Group's product sales mix as the sales of ammonium nitrate, which is the lowest gross margin product segment, had reduced significantly.

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)**

Interest income / (Finance costs)

For 2Q2015 and 6M2015, interest income increased by approximately RMB 149,000 and RMB 271,000, respectively, mainly due to higher average bank deposits during the current period under review.

For 2Q2015 and 6M2015, finance costs increased by approximately RMB 541,000 and RMB 1.0 million, respectively, mainly due to the higher bank loans recorded during the current period under review and certain interests expenses being capitalized under construction-in-progress during 6M2014.

Other credits / (Other charges)

For 2Q2015, other credits relate to government grants of RMB 205,000 and a reversal of allowance for impairment on trade receivables of RMB 3,000. For 2Q2014, other credits include gain on disposal of property, plant and equipments of RMB 74,000 and government grants of RMB 530,000.

For 6M2015, other credits relate to foreign exchange adjustment gain of RMB 0.7 million, government grants of RMB 327,000, and a reversal of allowance for impairment on trade receivables of RMB 3,000. For 6M2014, other credits include foreign exchange adjustment gain of RMB 212,000, gain on disposal of property, plant and equipments of RMB 74,000, government grants of RMB 530,000 and a reversal of allowance for impairment on trade receivables.

Other charges for 2Q2015 relates to the foreign exchange adjustment loss of RMB 67,000 as compared to RMB 538,000 during 2Q2014.

Foreign exchange adjustment gain/(losses) arose mainly from foreign exchange rate fluctuation among Renminbi (RMB), United States Dollar (US\$) and Singapore Dollars (S\$). Government grants relate a grant for certain plant and equipment which will be amortised over 3 years and other ad hoc government grants for various purposes including safety awareness.

Operating expenses

Distribution costs and administrative expenses fluctuate marginally during 2Q2015 and 6M2015 as compared to the previous corresponding period.

Income tax expenses

The effective tax rate for 2Q2015 and 6M2015 was 37.8% and 39.9%, respectively (2Q2014: 40.3% ; 6M2014: 45.3%). This is higher than the PRC tax rate of 25.0% mainly due to the loss-making position of Hebei Yinguang and the non-deductible expenses of the Group.

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

Property, plant and equipment decreased by approximately RMB 1.5 million, mainly due to the depreciation charged for the current period under review, which was partially offset by the acquisition of property, plant and equipment for the boosters upgrading project.

Intangible assets comprise of the Group's licences and customer relationships which arose during the purchase price allocation ("PPA") exercise for the acquisition of Hebei Yinguang during FY2010, performed in accordance with the Singapore Financial Reporting Standards. Intangible assets decreased by approximately RMB 0.4 million mainly due to the amortisation charges during the current period under review.

Other assets, non-current relate to the Group's land use rights, which increased by approximately RMB 0.6 million mainly due to the payment for land use rights, which was partially offset by the amortisation charges 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 and inventories and provision for safety expenses.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 20.0%, 26.5%, 2.9% and 50.6% respectively of our total current assets as at 30 September 2014.

Inventories increased marginally by approximately RMB 0.8 million or 1.3% to RMB 64.7 million as at 30 September 2014, as compared to RMB 63.9 million as at 31 March 2014.

During the current quarter under review, trade receivables decreased by approximately RMB 4.3 million, which was mainly attributed to lower sales revenue.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 1.8 million or 23.2% to RMB 9.5 million as at 30 September 2014. The increase is mainly due to the increase in prepayments for raw materials.

As at 30 September 2014, our current liabilities comprised of income tax payable of RMB 4.6 million, trade and other payables of approximately RMB 139.3 million, other current financial liabilities of approximately RMB 105.7 million and other liabilities of RMB 3.8 million. Non-current liabilities comprised of deferred tax liabilities of RMB 4.0 million.

Trade and other payables increased by approximately RMB 30.5 million mainly due to the increase in purchases of raw materials and slower payments to creditors.

As at 30 September 2014, other current financial liabilities of RMB 105.7 million comprised of bank loans of RMB 97.5 million and third party loan of RMB 8.2 million. The increment of RMB 15.5 million from RMB 90.2 million of bank loans as at 31 March 2014 was mainly due to the additional drawdowns by the Group during 1Q2015 upon repayment before 31 March 2014. Adhering to the customary banking practices in the PRC, the Group's bank loans are for a period of one year or less.

Other liabilities of RMB 3.8 million relate to the Group's advances from customers.

Deferred tax liabilities of RMB 4.0 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.

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)**

Cash flow

For 2Q2015, the Group has net cash from operating activities of approximately RMB 24.1 million, net cash used in investing activities of approximately RMB 1.4 million and net cash used in financing activities of approximately RMB 5.6 million.

For 6M2015, the Group has net cash from operating activities of approximately RMB 65.0 million, net cash used in investing activities of RMB 9.7 million and net cash from financing activities of approximately RMB 8.8 million.

The net cash from operating activities for 2Q2015 and 6M2015 was mainly due to faster trade receivables collections.

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

The net cash used in financing activities during 2Q2015 was mainly due to the payment of dividends of approximately RMB 2.3 million and payment of interest of RMB 2.3 million. The net cash from financing activities during 6M2015 was mainly due to the net increase in bank loans by RMB 15.5 million, which was partially offset by the payment of dividends and interest expenses.

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

No forecast or prospect statement has been previously issued.

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

Update on the new ammonium nitrate production facilities

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

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

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

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

None.

(b) *Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

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

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

13. Interested Person Transaction

		Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		2Q2015	2Q2014	2Q2015	2Q2014
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Minbao Qicai Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	1,348	7,468	-	-
Dyno Nobel Australia ⁽²⁾	Sales of commercial explosives	-	-	10,148	6,513
		6M2015	6M2014	6M2015	6M2014
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Security Services Co., Ltd	Provision of security services	7,200	-	-	-
Zaozhuang Yinguang Construction Co., Ltd	Provision of construction and renovation service	757	-	-	-
Shandong Yinguang Minbao Qicai Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	5,232	9,535	-	-
Dyno Nobel Australia ⁽²⁾	Sales of commercial explosives	-	-	21,506	10,288

Footnotes:

⁽¹⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 25 July 2014. As such, transactions after 25 July 2014 will then be considered as conducted under shareholders mandate pursuant to Rule 920.

⁽²⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011 and was updated and approved at the Annual General Meeting held on 25 July 2014.

14. Negative assurance confirmation pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited 2nd 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
6 NOVEMBER 2014**