



## Fabchem China Limited

Company registration number: 200413128G

Financial Statements for the Third Quarter ended 31 December 2015 (“3Q2016”)

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

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

|  | Group  |  |                                  | Group  |  |                                  |
|--|--|--|----------------------------------|--|--|----------------------------------|
|  | 3 months from 1 Oct 2015 to 31 Dec 2015<br>RMB'000 | 3 months from 1 Oct 2014 to 31 Dec 2014<br>RMB'000 | Increase/<br>(Decrease)<br><br>% | 9 months from 1 Apr 2015 to 31 Dec 2015<br>RMB'000 | 9 months from 1 Apr 2014 to 31 Dec 2014<br>RMB'000 | Increase/<br>(Decrease)<br><br>% |
| <b>Revenue</b>   | 37,448   | 99,413   | (62.3)                           | 182,836  | 308,147  | (40.7)                           |
| Cost of sales  | (32,905)   | (68,828)   | (52.2)                           | (129,122)  | (212,095)  | (39.1)                           |
| <b>Gross profit</b>                                      | 4,543  | 30,585   | (85.1)                           | 53,714   | 96,052   | (44.1)                           |
| <b><u>Other Items of Income</u></b>                      |  |  |                                  |  |  |                                  |
| Interest income  | 228  | 221  | 3.2                              | 694  | 871  | (20.3)                           |
| Other gains – Note (i)                                   | 264  | 532  | (50.4)                           | 1,173  | 1,538  | (23.7)                           |
| <b><u>Other Items of Expense</u></b>                     |  |  |                                  |  |  |                                  |
| Distribution costs                                       | (4,291)  | (7,980)  | (46.2)                           | (15,596)   | (23,704)   | (34.2)                           |
| Administrative expenses                                  | (9,896)  | (10,310)   | (4.0)                            | (29,612)   | (31,788)   | (6.8)                            |
| Financial costs  | (1,761)  | (1,688)  | 4.3                              | (5,448)  | (6,082)  | (10.4)                           |
| Other losses – Note (ii)                                 | (7,215)  | (4,839)  | (49.1)                           | (7,069)  | (4,839)  | (46.1)                           |
| <b>(Loss) / Profit before income tax</b>                 | (18,128)   | 6,521  | (378.0)                          | (2,144)  | 32,048   | (106.7)                          |
| Income tax income / (expense)                            | 1,361  | (3,731)  | (136.5)                          | (5,668)  | (13,919)   | (59.3)                           |
| <b>(Loss) / Profit attributable to shareholders</b>      | (16,767)   | 2,790  | (701.0)                          | (7,812)  | 18,129   | (143.1)                          |
| <b>Note (i) – Other Gains</b>                            |  |  |                                  |  |  |                                  |
| Allowance for impairment on trade receivables - reversal | 127  | -  | N.M.                             | 153  | 3  | 5000.0%                          |
| Foreign exchange adjustment gain                         | -  | 302  | N.M.                             | 366  | 978  | (62.6)                           |
| Government Grant   | 137  | 230  | (40.4)                           | 654  | 557  | 17.4                             |
|  | 264  | 532  | (50.4)                           | 1,173  | 1,538  | (23.7)                           |
| <b>Note (ii) – Other Losses</b>                          |  |  |                                  |  |  |                                  |
| Allowance for impairment on trade receivables            | (7,041)  | (4,779)  | (47.3)                           | (7,041)  | (4,779)  | (47.3)                           |
| Foreign exchange adjustment loss                         | (165)  | -  | N.M.                             | -  | -  | -                                |
| Inventories written-off                                  | -  | (19)   | N.M.                             | -  | (19)   | N.M.                             |
| Loss on disposal of property, plant and equipment        | (9)  | -  | N.M.                             | (28)   | -  | N.M.                             |
| Property, plant and equipment written off                | -  | (41)   | N.M.                             | -  | (41)   | N.M.                             |
|  | (7,215)  | (4,839)  | (49.1)                           | (7,069)  | (4,839)  | (46.1)                           |

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

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

|  | Group  |  |                          | Group  |  |                          |
|--|--|--|--------------------------|--|--|--------------------------|
|  | 3 months from 1 Oct 2015 to 31 Dec 2015<br>RMB'000 | 3 months from 1 Oct 2014 to 31 Dec 2014<br>RMB'000 | Increase/(Decrease)<br>% | 9 months from 1 Apr 2015 to 31 Dec 2015<br>RMB'000 | 9 months from 1 Apr 2014 to 31 Dec 2014<br>RMB'000 | Increase/(Decrease)<br>% |
| Allowance for impairment on trade receivables - reversal | 127  | -  | N.M.                     | 153  | 3  | 5000.0                   |
| Amortisation expenses                                    | (890)  | (933)  | (4.6)                    | (2,157)  | (2,794)  | (22.8)                   |
| Depreciation expenses                                    | (5,359)  | (5,034)  | 6.5                      | (14,726)   | (14,887)   | (1.1)                    |
| Foreign exchange adjustment (loss)/gain                  | (165)  | 302  | N.M.                     | 366  | 978  | (62.6)                   |
| Loss on disposal of property, plant and equipment        | (9)  | -  | N.M.                     | (28)   | -  | N.M.                     |
| Interest expense   | (1,761)  | (1,688)  | 4.3                      | (5,448)  | (6,082)  | (10.4)                   |
| Interest income from bank deposits                       | 228  | 221  | 3.2                      | 694  | 871  | (20.3)                   |
| Inventories written-off                                  | -  | (19)   | N.M.                     | -  | (19)   | N.M.                     |
| Property, plant and equipment written off                | -  | (41)   | N.M.                     | -  | (41)   | N.M.                     |
| Allowance for impairment on trade receivables            | (7,041)  | (4,779)  | (47.3)                   | (7,041)  | (4,779)  | (47.3)                   |

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

|   | Group  |  |                          | Group  |  |                          |
|---|--|--|--------------------------|--|--|--------------------------|
|   | 3 months from 1 Oct 2015 to 31 Dec 2015<br>RMB'000 | 3 months from 1 Oct 2014 to 31 Dec 2014<br>RMB'000 | Increase/(Decrease)<br>% | 9 months from 1 Apr 2015 to 31 Dec 2015<br>RMB'000 | 9 months from 1 Apr 2014 to 31 Dec 2014<br>RMB'000 | Increase/(Decrease)<br>% |
| <b>(Loss) / Profit attributable to shareholders</b>       | (16,767)   | 2,790  | (701.0)                  | (7,812)  | 18,129   | (143.1)                  |
| Foreign currency translation difference                   | 324  | (172)  | (288.4)                  | 489  | (220)  | (322.3)                  |
| <b>Total comprehensive (loss) / income for the period</b> | <u>(16,443)</u>                                    | <u>2,618</u>                                       | <u>(728.1)</u>           | <u>(7,323)</u>                                     | <u>17,909</u>                                      | <u>(140.9)</u>           |

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

|                                      | Group                          |                             | Company                        |                             |
|--------------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
|                                      | 31 December<br>2015<br>RMB'000 | 31 March<br>2015<br>RMB'000 | 31 December<br>2015<br>RMB'000 | 31 March<br>2015<br>RMB'000 |
| <b>ASSETS</b>                        |                                |                             |                                |                             |
| <b>Non-current assets :</b>          |                                |                             |                                |                             |
| Property, plant and equipment        | 228,747                        | 238,014                     | 45                             | 119                         |
| Other assets, non-current            | 87,971                         | 90,128                      | -                              | -                           |
| Investment in subsidiary             | -                              | -                           | 103,434                        | 100,411                     |
| Deferred tax assets                  | 5,799                          | 4,102                       | -                              | -                           |
| <b>Total non-current assets</b>      | <b>322,517</b>                 | <b>332,244</b>              | <b>103,479</b>                 | <b>100,530</b>              |
| <b>Current assets :</b>              |                                |                             |                                |                             |
| Inventories                          | 38,949                         | 61,893                      | -                              | -                           |
| Trade and other receivables (Note 1) | 55,405                         | 87,101                      | 10,532                         | 22,512                      |
| Other assets, current                | 26,158                         | 11,889                      | 114                            | 127                         |
| Cash and cash equivalents            | 170,729                        | 125,908                     | 1,465                          | 920                         |
| <b>Total current assets</b>          | <b>291,241</b>                 | <b>286,791</b>              | <b>12,111</b>                  | <b>23,559</b>               |
| <b>Total assets</b>                  | <b>613,758</b>                 | <b>619,035</b>              | <b>115,590</b>                 | <b>124,089</b>              |
| <b>EQUITY AND LIABILITIES</b>        |                                |                             |                                |                             |
| <b>Capital and reserves :</b>        |                                |                             |                                |                             |
| Share capital                        | 116,849                        | 116,849                     | 116,849                        | 116,849                     |
| Retained earnings                    | 188,344                        | 201,233                     | 5,024                          | 16,204                      |
| Other reserves                       | 88,522                         | 86,140                      | (9,304)                        | (12,815)                    |
| <b>Total equity</b>                  | <b>393,715</b>                 | <b>404,222</b>              | <b>112,569</b>                 | <b>120,238</b>              |
| <b>Non-Current liabilities :</b>     |                                |                             |                                |                             |
| Deferred tax liabilities             | 2,196                          | 1,691                       | -                              | -                           |
| <b>Total non-current liabilities</b> | <b>2,196</b>                   | <b>1,691</b>                | <b>-</b>                       | <b>-</b>                    |
| <b>Current liabilities :</b>         |                                |                             |                                |                             |
| Income tax payable                   | -                              | 2,745                       | -                              | -                           |
| Trade and other payables (Note 2)    | 102,403                        | 115,319                     | 3,021                          | 3,851                       |
| Other financial liabilities, current | 105,563                        | 83,672                      | -                              | -                           |
| Other liabilities                    | 9,881                          | 11,386                      | -                              | -                           |
| <b>Total current liabilities</b>     | <b>217,847</b>                 | <b>213,122</b>              | <b>3,021</b>                   | <b>3,851</b>                |
| <b>Total liabilities</b>             | <b>220,043</b>                 | <b>214,813</b>              | <b>3,021</b>                   | <b>3,851</b>                |
| <b>Total liabilities and equity</b>  | <b>613,758</b>                 | <b>619,035</b>              | <b>115,590</b>                 | <b>124,089</b>              |
| <b>Note 1</b>                        |                                |                             |                                |                             |
| Trade receivables                    | 49,835                         | 82,413                      | -                              | -                           |
| Amount receivable from subsidiary    | -                              | -                           | 10,532                         | 22,512                      |
| Tax recoverable                      | 3,439                          | 3,439                       | -                              | -                           |
| Other receivables                    | 2,131                          | 1,249                       | -                              | -                           |
| Trade and other receivables          | 55,405                         | 87,101                      | 10,532                         | 22,512                      |
| <b>Note 2</b>                        |                                |                             |                                |                             |
| Trade payables and accruals          | 78,298                         | 94,255                      | 2,807                          | 3,221                       |
| Other payables                       | 24,105                         | 21,064                      | 214                            | 630                         |
| Trade and other payables             | 102,403                        | 115,319                     | 3,021                          | 3,851                       |

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

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

**(RMB'000)**

| <b>31 December 2015</b> |                  | <b>31 March 2015</b> |                  |
|-------------------------|------------------|----------------------|------------------|
| <b>Secured</b>          | <b>Unsecured</b> | <b>Secured</b>       | <b>Unsecured</b> |
| 92,361                  | 13,202           | 45,500               | 38,172           |

**Amount repayable after one year**

**(RMB'000)**

| <b>31 December 2015</b> |                  | <b>31 March 2015</b> |                  |
|-------------------------|------------------|----------------------|------------------|
| <b>Secured</b>          | <b>Unsecured</b> | <b>Secured</b>       | <b>Unsecured</b> |
| -                       | -                | -                    | -                |

**Details of any collateral**

As at 31 December 2015, the Group has aggregate secured short-term loans from financial institutions of RMB 92.4 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 5.0 million.

Secured short-term bank loans of RMB 92.4 million are secured using our subsidiaries' land and buildings with net book value of approximately RMB 96.4 million. The secured short-term bank loans' interest rate ranged from 5.06% to 6.955% 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 5.0 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 6.955% per annum.

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

|  | Group   |   | Group   |   |
|--|---|---|---|---|
|  | 3 months from 1 Oct 2015 to 31 Dec 2015 RMB'000 | 3 months from 1 Oct 2014 to 31 Dec 2014 RMB'000 | 9 months from 1 Apr 2015 to 31 Dec 2015 RMB'000 | 9 months from 1 Apr 2014 to 31 Dec 2014 RMB'000 |
| <b>Cash flows from operating activities</b>  |   |   |   |   |
| (Loss)/Profit before income tax  | (18,128)  | 7,621   | (2,144)   | 32,048  |
| Adjustments for :  |   |   |   |   |
| Amortisation expenses  | 890   | 933   | 2,157   | 2,794   |
| Depreciation expense   | 5,359   | 5,034   | 14,726  | 14,887  |
| Loss on disposal of property, plant and equipment                                    | 9   | -   | 28  | -   |
| Inventories written-off  | -   | 19  | -   | 19  |
| Allowance for impairment on trade receivables  | 7,041   | 4,779   | 7,041   | 4,779   |
| Interest expenses  | 1,761   | 1,688   | 5,448   | 6,082   |
| Interest income  | (228)   | (221)   | (694)   | (871)   |
| Provision for safety expenses  | 609   | 1,032   | 2,178   | 3,346   |
| Property, plant and equipment written off  | -   | 41  | -   | 41  |
| Write back of allowance for impairment on trade receivables                          | (127)   | -   | (153)   | (3)   |
| Net effect of exchange rate changes in translation of financial statements of Parent | 322   | (166)   | 486   | (212)   |
| Operating (loss) / profit before working capital changes                             | (2,492)   | 20,760  | 29,073  | 62,910  |
| Inventories  | 6,964   | 9,394   | 22,944  | 8,574   |
| Trade and other receivables  | 26,599  | (5,662)   | 24,808  | (1,442)   |
| Other assets   | 475   | 1,027   | (3,832)   | (765)   |
| Trade and other payables   | (4,268)   | (495)   | (12,916)  | 28,784  |
| Other liabilities  | 27  | 458   | (3,683)   | (1,434)   |
| Cash generated from operations   | 27,305  | 25,482  | 56,394  | 96,627  |
| Income tax paid  | (2,358)   | (5,167)   | (9,605)   | (11,287)  |
| <b>Net cash from operating activities</b>  | <b>24,947</b>                                   | <b>20,315</b>                                   | <b>46,789</b>                                   | <b>85,340</b>                                   |
| <b>Cash flows from investing activities</b>  |   |   |   |   |
| Proceeds from disposal of property, plant and equipment                              | 52  | -   | 79  | -   |
| Purchase of property, plant and equipment  | (623)   | (4,814)   | (5,563)   | (13,185)  |
| Purchase of land use rights  | -   | -   | (10,437)  | (2,018)   |
| Interest received  | 228   | 221   | 694   | 871   |
| <b>Net cash used in investing activities</b>   | <b>(343)</b>                                    | <b>(4,593)</b>                                  | <b>(15,227)</b>                                 | <b>(14,332)</b>                                 |
| <b>Cash flows from financing activities</b>  |   |   |   |   |
| Payment of dividends   | -   | -   | (3,184)   | (2,302)   |
| Proceeds from bank borrowings  | -   | -   | 119,391   | 119,500   |
| Repayment of borrowings  | -   | (2)   | (97,500)  | (104,002)                                       |
| Interest paid  | (1,761)   | (1,688)   | (5,448)   | (6,082)   |
| <b>Net cash (used in) / from financing activities</b>                                | <b>(1,761)</b>                                  | <b>(1,690)</b>                                  | <b>13,259</b>                                   | <b>7,114</b>                                    |
| Net increase in cash   | 22,843  | 14,032  | 44,821  | 78,122  |
| Cash at beginning of the period  | 147,886   | 163,563   | 125,908   | 99,473  |
| <b>Cash at end of the period</b>   | <b>170,729</b>                                  | <b>177,595</b>                                  | <b>170,729</b>                                  | <b>177,595</b>                                  |

**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    |
|--|---------------|--------------------------------------|--|---------------------------------------|-------------------|----------|
| <b>Group (RMB'000)</b>                           |               |                                      |  |                                       |                   |          |
| Balance at 1 April 2015                          | 116,849       | 42,224                               | 44,000                                 | (84)                                  | 201,233           | 404,222  |
| Appropriation for the period                     | -             | 1,897                                | -                                      | -                                     | (1,897)           | -        |
| Dividend paid                                    | -             | -                                    | -                                      | -                                     | (3,184)           | (3,184)  |
| Total comprehensive income for the period        | -             | -                                    | -                                      | 165                                   | 8,955             | 9,120    |
| Balance at 30 September 2015                     | 116,849       | 44,121                               | 44,000                                 | 81                                    | 205,107           | 410,158  |
| Appropriation for the period                     | -             | (4)                                  | -                                      | -                                     | 4                 | -        |
| Total comprehensive income/(loss) for the period | -             | -                                    | -                                      | 324                                   | (16,767)          | (16,443) |
| Balance at 31 December 2015                      | 116,849       | 44,117                               | 44,000                                 | 405                                   | 188,344           | 393,715  |
| Balance at 1 April 2014                          | 116,849       | 37,981                               | 44,000                                 | 230                                   | 194,706           | 393,766  |
| Appropriation for the period                     | -             | 2,844                                | -                                      | -                                     | (2,844)           | -        |
| Dividend paid                                    | -             | -                                    | -                                      | -                                     | (2,302)           | (2,302)  |
| Total comprehensive (loss)/income for the period | -             | -                                    | -                                      | (48)                                  | 15,339            | 15,291   |
| Balance at 30 September 2014                     | 116,849       | 40,825                               | 44,000                                 | 182                                   | 204,899           | 406,755  |
| Appropriation for the period                     | -             | 1,165                                | -                                      | -                                     | (1,165)           | -        |
| Total comprehensive (loss)/income for the period | -             | -                                    | -                                      | (172)                                 | 2,790             | 2,618    |
| Balance at 31 December 2014                      | 116,849       | 41,990                               | 44,000                                 | 10                                    | 206,524           | 409,373  |
| <b>Company (RMB'000)</b>                         |               |                                      |  |                                       |                   |          |
|  | Share capital | Foreign exchange translation reserve | Retained earnings/(Accumulated losses) | Total                                 |                   |          |
| Balance at 1 April 2015                          | 116,849       | (12,815)                             | 16,204                                 | 120,238                               |                   |          |
| Dividend paid                                    | -             | -                                    | (3,184)                                | (3,184)                               |                   |          |
| Total comprehensive income/(loss) for the period | -             | 107                                  | (5,604)                                | (5,497)                               |                   |          |
| Balance at 30 September 2015                     | 116,849       | (12,708)                             | 7,416                                  | 111,557                               |                   |          |
| Total comprehensive income/(loss) for the period | -             | 3,404                                | (2,392)                                | 1,012                                 |                   |          |
| Balance at 31 December 2015                      | 116,849       | (9,304)                              | 5,024                                  | 112,569                               |                   |          |
| Balance at 1 April 2014                          | 116,849       | (2,527)                              | 9,720                                  | 124,042                               |                   |          |
| Dividend paid                                    | -             | -                                    | (2,302)                                | (2,302)                               |                   |          |
| Total comprehensive loss for the period          | -             | (1,583)                              | (5,783)                                | (7,366)                               |                   |          |
| Balance at 30 September 2014                     | 116,849       | (4,110)                              | 1,635                                  | 114,374                               |                   |          |
| Total comprehensive loss for the period          | -             | (4,324)                              | (2,350)                                | (6,674)                               |                   |          |
| Balance at 31 December 2014                      | 116,849       | (8,434)                              | (715)                                  | 107,700                               |                   |          |

**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.**

| <b>Issued and Paid-Up Capital</b>  | <b>Group</b>            |                           |
|------------------------------------|-------------------------|---------------------------|
|                                    | <b>Number of Shares</b> | <b>Share Capital (\$)</b> |
| As at 31 March 2015 (audited)      | 234,000,000             | 23,458,985                |
| As at 31 December 2015 (Unaudited) | 46,800,000              | 23,458,985                |

On 30 July 2015 during an Extraordinary General Meeting (“EGM”), the shareholders of the Company approved the consolidation of every five (5) existing ordinary shares of the Company into one (1) ordinary share (“Share consolidation”). The Share consolidation was completed and became effective as at 9.00 am on 1 September 2015 when 234,000,000 existing ordinary shares were consolidated into 46,800,000 ordinary shares.

The Company did not have any outstanding convertibles and treasury shares 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.

**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.**

|                               | <b>Group</b>            |                      |
|-------------------------------|-------------------------|----------------------|
|                               | <b>31 December 2015</b> | <b>31 March 2015</b> |
| Total number of issued shares | 46,800,000*             | 234,000,000          |

\* After the completion of the Share Consolidation.

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

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

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

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

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

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

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

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

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

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

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

|  | Group                      |   | Group                      |   |
|--|----------------------------|---|----------------------------|---|
|  | 3 months ended 31 Dec 2015 | 3 months ended 31 Dec 2014 (Restated *) | 9 months ended 31 Dec 2015 | 9 months ended 31 Dec 2014 (Restated *) |
|  | RMB cents                  | RMB cents                               | RMB cents                  | RMB cents                               |
| (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                                       | (35.83)                    | 5.96                                    | (16.69)                    | 38.74                                   |
| Weighted average number of ordinary shares in issue for basic earnings per share                   | 46,800,000                 | 46,800,000                              | 46,800,000                 | 46,800,000                              |

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

\* Comparative weighted average number of ordinary shares and basic earnings per share has been adjusted to reflect the effects of the Share Consolidation during the current financial period.

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

|   | Group       |               | Company     |               |
|---|-------------|---------------|-------------|---------------|
|   | 31 Dec 2015 | 31 March 2015 | 31 Dec 2015 | 31 March 2015 |
|   | 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 | 841.27      | 172.74        | 240.53      | 51.38         |
| Number of shares used in calculating net asset value  | 46,800,000  | 234,000,000   | 46,800,000  | 234,000,000   |



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

#### Revenue

Revenue for the 3-month period ended 31 December 2015 ("3Q2016") decreased by approximately RMB 62.0 million or 62.3%, from RMB 99.4 million for the 3-month period ended 31 December 2014 ("3Q2015") to RMB 37.4 million in 3Q2016. The decrease in revenue during 3Q2016 was mainly attributed to the temporary stoppage of our production activities that was enforced by the authorities as an overall safety precaution for all manufactures in the Shandong Province due to an explosion at an unrelated boosters production plant in the province that occurred on 21 October 2015.

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 3Q2016 and 3Q2015 and between 9-month period ended 31 December 2015 ("9M2016") and the 9-month period ended 31 December 2014 ("9M2015") are as follows:

|  | 3Q2016         |              | 3Q2015         |              | % change      |
|--|----------------|--------------|----------------|--------------|---------------|
|  | RMB'000        | %            | RMB'000        | %            |               |
| Explosives devices                               | 18,833         | 50.3         | 48,350         | 48.6         | (61.0)        |
| Industrial fuse and initiating explosive devices | 9,204          | 24.6         | 25,257         | 25.4         | (63.6)        |
| Industrial detonators                            | 8,787          | 23.5         | 18,358         | 18.5         | (52.1)        |
| Ammonium Nitrate                                 | 510            | 1.3          | 7,406          | 7.4          | (93.1)        |
| Others <sup>(1)</sup>                            | 114            | 0.3          | 42             | 0.1          | 171.4         |
|  | <b>37,448</b>  | <b>100.0</b> | <b>99,413</b>  | <b>100.0</b> | <b>(62.3)</b> |
| Within PRC                                       | 22,366         | 59.7         | 55,863         | 56.2         | (60.0)        |
| <u>Outside PRC</u>                               |                |              |                |              |               |
| Sales through export distributors <sup>(2)</sup> | -              | -            | 12,136         | 12.2         | N.M.          |
| Australia  | 14,937         | 39.9         | 27,768         | 27.9         | (46.2)        |
| Others   | 145            | 0.4          | 3,646          | 3.7          | (96.0)        |
|  | 15,082         | 40.3         | 43,550         | 43.8         | (65.4)        |
|  | <b>37,448</b>  | <b>100.0</b> | <b>99,413</b>  | <b>100.0</b> | <b>(62.3)</b> |
|  |                |              |                |              |               |
|  | 9M2016         |              | 9M2015         |              | % change      |
|  | RMB'000        | %            | RMB'000        | %            |               |
| Explosives devices                               | 87,844         | 48.1         | 124,900        | 40.5         | (29.7)        |
| Industrial fuse and initiating explosive devices | 51,585         | 28.2         | 85,751         | 27.8         | (39.8)        |
| Industrial detonators                            | 41,189         | 22.5         | 60,479         | 19.6         | (31.9)        |
| Ammonium Nitrate                                 | 1,792          | 1.0          | 36,548         | 11.9         | (95.1)        |
| Others <sup>(1)</sup>                            | 426            | 0.2          | 469            | 0.2          | (9.2)         |
|  | <b>182,836</b> | <b>100.0</b> | <b>308,147</b> | <b>100.0</b> | <b>(40.7)</b> |
| Within PRC                                       | 108,901        | 59.6         | 194,063        | 63.0         | (43.9)        |
| <u>Outside PRC</u>                               |                |              |                |              |               |
| Sales through export distributors <sup>(2)</sup> | -              | -            | 14,088         | 4.6          | N.M.          |
| Australia  | 69,312         | 37.9         | 88,518         | 28.7         | (21.7)        |
| Others   | 4,623          | 2.5          | 11,478         | 3.7          | (59.7)        |
|  | 73,935         | 40.4         | 114,084        | 37.0         | (35.2)        |
|  | <b>182,836</b> | <b>100.0</b> | <b>308,147</b> | <b>100.0</b> | <b>(40.7)</b> |

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 3Q2016, sales within PRC decreased by approximately RMB 33.5 million or 60.0% from RMB 55.9 million in 3Q2015 to RMB 22.4 million in 3Q2016. For 9M2016, sales within PRC decreased by approximately RMB 85.2 million or 43.9% from RMB 194.1 million in 9M2015 to RMB 108.9 million in 9M2016.

The decrease in sales within PRC was mainly attributed to the temporary stoppage of our production activities due to an explosion at an unrelated boosters production plant in Shandong Province during the current period under review.

b) Sales through export distributors

There were no export sales through export distributors during 3Q2016 and 9M2016.

c) Sales to Australia

During 3Q2016 and 9M2016, sales to Australia decreased by approximately RMB 12.8 million or 46.2% and RMB 19.2 million or 21.7%. The decline was mainly due to the temporary stoppage of our boosters production as a result of to an explosion at an unrelated boosters production plant in Shandong Province.

d) Sales to other countries

During 3Q2016 and 9M2016, sales to other countries decreased by approximately RMB 3.5 million or 96.0% and RMB 6.9 million or 59.7%, respectively.

The decline was attributed to the same reason that affected the Group's sales to Australia.

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 3Q2016, the Group's gross profit margins dipped by 18.7 percentage points from 30.8% in 3Q2015 to 12.1% in 3Q2016. This was mainly due to the temporary stoppage of production activities during 3Q2016 as mentioned above.

During 9M2016, the Group's gross profit margin dipped by approximately 1.8 percentage points, from 31.2% in 9M2015 to 29.4% in 9M2016. Our gross profit margin was affected by the temporary stoppage of production activities during 3Q2016 as mentioned above. However, the impact was mitigated by the change in the Group's product sales mix as the sales of ammonium nitrate, which accounts for the lowest gross margin among the four product segments, 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 3Q2016, interest income increased marginally by RMB 7,000 or 3.2%. For 9M2016, interest income decreased by approximately RMB 177,000 mainly due to lower bank interest rate during the current period under review.

For 3Q2016, finance costs increased marginally by RMB 73,000 or 4.3%. For 9M2016, finance costs decreased by approximately RMB 634,000 mainly due to lower bank lending rate during the current period under review.

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

For 3Q2016, other gains relate to reversal of allowance for impairment on trade receivables of RMB 127,000 and government grants of RMB 137,000. For 3Q2015, other gains relate to foreign exchange adjustment gains of RMB 302,000 and government grants of RMB 230,000.

For 9M2016, other gains relate to foreign exchange adjustment gain of RMB 366,000, government grants of RMB 654,000, and reversal of allowance for impairment on trade receivables of RMB 153,000. For 9M2015, other gains relate to foreign exchange adjustment gain of RMB 978,000, government grants of RMB 557,000, and reversal of allowance for impairment on trade receivables of RMB 3,000.

For 3Q2016, other losses relate to allowance for impairment on trade receivables of RMB 7.0 million, foreign exchange adjustment loss of RMB 165,000 and loss on disposal of property, plant and equipment of approximately RMB 9,000. For 9M2016, other losses relate to allowance for impairment on trade receivables of RMB 7.0 million and loss on disposal of property, plant and equipment of approximately RMB 28,000.

For 3Q2015 and 9M2015, other losses relate to allowance for impairment on trade receivables of RMB 4.8 million, inventories written-off of RMB 19,000 and property, plant and equipment written-off of RMB 41,000.

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 to 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.

Allowance for impairment on trade receivables was based on the management's assessment on the Group's individual trade receivable as at the end of the period under review, in accordance to Singapore Financial Reporting Standards. The increment from RMB 4.8 million for 9M2015 to RMB 7.0 million for 9M2016 was due to the impairment on those individual long outstanding and slow-moving trade receivables during the assessment as at 31 December 2015, which was attributed to the slowdown in China's economic growth and directly impacting the coal and iron-ore mining industries.

A review on the inventories and property, plant and equipment was carried out as of 31 December and items of obsolescence were written-off or disposed-off accordingly.

#### **Operating expenses**

Corresponding to lower revenue registered in 3Q2016 and 9M2016, the Group's distribution costs decreased by approximately 46.2% and 34.2%, respectively. Administrative expenses also declined by approximately 4.0% and 6.8% for 3Q2016 and 9M2016, respectively. During 9M2016, amortisation expenses decreased by approximately RMB 637,000 due to amortisation charges for intangible assets during 9M2015. Intangible assets were fully written-off as at 31 March 2015, hence there was no further amortisation charges during 9M2016.

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 income / (expenses)**

During 3Q2016, the Group registered a loss before income tax of RMB 18.1 million and hence there was a current tax income of approximately RMB 1.4 million mainly due to the deferred tax assets recognized as a result of the loss by our subsidiary, Shandong Yinguang Technology Co., Ltd (“Yinguang Technology”) during 3Q2016. The income tax expense for 9M2016 of approximately RMB 5.7 million is mainly due to the profit before income tax recognized by Yinguang Technology during 9M2016.

#### **Statement of Financial Position**

Property, plant and equipment decreased by approximately RMB 9.3 million, mainly due to the depreciation charged for the current period under review of approximately RMB 14.7 million, which was partially offset by the acquisition of property, plant and equipment of approximately RMB 5.6 million.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 2.2 million mainly due to the amortisation charges of approximately RMB 2.2 million recognized during the current period under review.

Deferred tax assets relate mainly to the deferred tax differences for the allowance for impairment on trade and other receivables, provision for safety expenses and deferred tax on tax losses incurred during 3Q2016.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 13.4%, 19.0%, 9.0% and 58.6% respectively of our total current assets as at 31 December 2015.

Inventories decreased by approximately RMB 22.9 million or 37.1% to RMB 38.9 million as at 31 December 2015, as compared to RMB 61.9 million as at 31 March 2015. The decrease was mainly due to the decrease in finished goods as a result of the temporary stoppage of production activities during 3Q2016 as mentioned above.

During the current quarter under review, trade and other receivables decreased by approximately RMB 31.7 million or 36.4% mainly due to the temporary stoppage of production activities during the current quarter under review, and the allowance for impairment on trade receivables of approximately RMB 7.0 million.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 14.3 million or 120.0% to RMB 26.2 million as at 31 December 2015. The increment was mainly due to a prepayment for land use rights of approximately RMB 10.4 million relating to the new storage facility.

As at 31 December 2015, our current liabilities comprised of trade and other payables of approximately RMB 102.4 million, other current financial liabilities of approximately RMB 105.6 million and other liabilities of RMB 9.9 million. Non-current liabilities comprised of deferred tax liabilities of RMB 2.2 million.

Trade and other payables decreased by approximately RMB 12.9 million mainly due to the decrease in bills payables due of RMB 7.0 million and the temporary stoppage of production activities during the current quarter under review.

As at 31 December 2015, other current financial liabilities of RMB 105.6 million comprised of bank loans of RMB 97.4 million and a third party loan of RMB 8.2 million. The increment of RMB 22.0 million from RMB 83.7 million as at 31 March 2015 was mainly due to the additional bank loans obtained by the Group during 1Q2016 upon repayment of those loan amounts that were due before 31 March 2015. Adhering to the customary banking practices in the PRC, the Group's bank loans are for a period of one year or less.

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

**Statement of Financial Position (Cont'd)**

Other liabilities of RMB 9.9 million relate to the Group's provision for safety expenses and advances from customers.

Deferred tax liabilities of RMB 2.2 million relate mainly to the deferred tax difference upon the finalisation of the PPA exercise in relation to the acquisition of Hebei Yinguang in 2008 and the deferred tax liabilities for the withholding tax on dividend payable by our subsidiary in China.

**Cash flow**

For 3Q2016, the Group has net cash from operating activities of approximately RMB 24.9 million, net cash used in investing activities of approximately RMB 343,000 and net cash used in financing activities of approximately RMB 5.0 million.

For 9M2016, the Group has net cash from operating activities of approximately RMB 46.8 million, net cash used in investing activities of RMB 15.2 million and net cash from financing activities of approximately RMB 13.3 million.

The net cash from operating activities for 3Q2016 and 9M2016 was mainly due to trade receivables collections and lower inventories held on hand.

The net cash used in investing activities of approximately RMB 15.2 million during 9M2016 was mainly due to the acquisition of property, plant and equipment of approximately RMB 5.6 million and the prepayment for land use rights of approximately RMB 10.4 million, which was partially offset by the interest received and proceeds from the disposal of property, plant and equipment.

The net cash used in financing activities during 3Q2016 was due to the payment of interest of RMB 1.8 million. The net cash from financing activities during 9M2016 was mainly due to the net increase in bank loans by RMB 21.9 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.**

The current third quarter results for the 3-months period ended 31 December 2015 are in line with the Company's commentary as disclosed under paragraph 10 of the second quarter results announcement for the financial period ended 30 September 2015 and the Company's announcements made on 30 October 2015 and 3 December 2015.

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.**

*Resumption of the production of commercial explosive products except for boosters*

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

As of the date of this announcement, Yinguang Technology has yet to resume production of its booster products as we are awaiting for the relevant authorities to provide the clearance confirmation to resume production.

The management will continue to follow up with the relevant authorities in order to resume production and we will update Shareholders of any other material impact to the Group accordingly.

*Update on the ammonium nitrate production facilities*

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.

*China market updates*

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

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

**11. Dividend**

**(a) *Current Financial Period Reported On***

**Any dividend declared for the current financial period reported on?**

None.

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

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

None.

**(c) *Date payable***

Not applicable.

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

Not applicable.

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

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

**13. Interested Person Transaction**

|  |  | Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) |               | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |               |
|--|--|---|---------------|---|---------------|
|  |  | 3Q2016  | 3Q2015        | 3Q2016  | 3Q2015        |
| Name of interested person                              | Nature   | RMB'000   | RMB'000       | RMB'000   | RMB'000       |
| Shandong Yinguang Minbao Qicai Co., Ltd <sup>(1)</sup> | Sales of ammonium nitrate                        | -   | -             | -   | 2,511         |
| Dyno Nobel <sup>(2)</sup>                              | Sales of commercial explosives                   | -   | -             | 7,915   | 6,288         |
|  |  | <b>9M2016</b>   | <b>9M2015</b> | <b>9M2016</b>   | <b>9M2015</b> |
| Shandong Yinguang Security Services Co., Ltd           | Provision of security services                   | 7,200   | 7,200         | -   | -             |
| Zaozhuang Yinguang Construction Co., Ltd               | Provision of construction and renovation service | -   | 757           | -   | -             |
| Shandong Yinguang Minbao Qicai Co., Ltd <sup>(1)</sup> | Sales of ammonium nitrate                        | -   | 5,232         | -   | 2,511         |
| Dyno Nobel <sup>(2)</sup>                              | Sales of commercial explosives                   | -   | -             | 21,118  | 27,794        |

Footnotes:

<sup>(1)</sup> The relevant general mandate was approved at the Extraordinary General Meeting held on 25 July 2014 and was updated and approved at the Annual General Meeting held on 30 July 2015.

<sup>(2)</sup> The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011 and was updated and approved at the Annual General Meeting held on 30 July 2015.

**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 3<sup>rd</sup> quarter financial statements set out above to be false or misleading in any material aspect.

For and On behalf of the Board of Directors

Sun Bowen  
Managing Director

Bao Hongwei  
Director

**BY ORDER OF THE BOARD  
SUN BOWEN  
MANAGING DIRECTOR  
11 FEBRUARY 2016**