



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the Financial year ended 31 March 2007 (“FY2007”)

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

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

	Group		Increase/ (Decrease) %
	FY2007 RMB'000	FY2006 RMB'000	
Revenue	181,391	155,745	16.5
Cost of sales	(109,825)	(86,682)	26.7
Gross profit	71,566	69,063	3.6
Financial income – Note (i)	221	9	2355.6
Financial expense	(29)	(937)	(96.9)
Distribution costs	(8,792)	(5,833)	50.7
Administrative expenses	(17,441)	(8,221)	112.2
Other credits/(charges)	(98)	-	N.M.
Profit before income tax	45,427	54,081	(16.0)
Income tax expense	(3,221)	-	N.M.
Net profit attributable to shareholders	42,206	54,081	(22.0)
Note (i) – Financial income			
Interest income from bank deposits	217	9	2311.1
Foreign exchange adjustment gain	4	-	N.M.
	221	9	2355.6

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

Interest income from bank deposits	217	9	2311.1
Interest expense	(29)	(937)	(96.9)
Depreciation expenses	(2,210)	(934)	136.6
Fixed assets written-off	(98)	-	N.M.
Foreign exchange adjustment gain	4	-	N.M.

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

	Group		Company	
	31 March 2007 RMB'000	31 March 2006 RMB'000	31 March 2007 RMB'000	31 March 2006 RMB'000
ASSETS				
Current assets :				
Cash and cash equivalents	129,008	38,465	396	218
Trade and other receivables (Note 1)	93,307	83,585	84	12,011
Inventories	12,238	10,953	-	-
Total current assets	234,553	133,003	480	12,229
Non-current assets :				
Investment in subsidiary	-	-	115,030	35,266
Property, plant and equipment	22,205	5,695	702	12
Total non-current assets	22,205	5,695	115,732	35,278
Total assets	256,758	138,698	116,212	47,507
LIABILITIES AND EQUITY				
Current liabilities :				
Trade and other payables (Note 2)	32,605	43,239	3,112	13,388
Finance lease obligation	67	-	67	-
Provision for taxation	3,221	-	-	-
Total current liabilities	35,893	43,239	3,179	13,388
Non-Current liabilities :				
Finance lease obligation	403	-	403	-
Total non-current liabilities	403	-	403	-
Total liabilities	36,296	43,239	3,582	13,388
Capital and reserves :				
Issued capital	116,849	34,687	116,849	34,687
Reserves	103,613	60,772	(4,219)	(568)
Total equity	220,462	95,459	112,630	34,119
Total liabilities and equity	256,758	138,698	116,212	47,507
Note 1				
Trade receivables	90,164	70,377	-	-
Other receivables	3,143	13,208	84	12,011
Trade and other receivables	93,307	83,585	84	12,011
Note 2				
Trade payables and accruals	28,504	28,549	2,971	526
Other payables	4,101	14,690	141	12,862
Trade and other payables	32,605	43,239	3,112	13,388

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

Amount repayable in one year or less, or on demand

(RMB'000)

31 March 2007		31 March 2006	
Secured	Unsecured	Secured	Unsecured
67	-	-	-

Amount repayable after one year

(RMB'000)

31 March 2007		31 March 2006	
Secured	Unsecured	Secured	Unsecured
403	-	-	-

Details of any collateral

As at 31 March 2007, the Group has secured borrowings comprising a 7 years finance lease for the purchase of a motor vehicle. The finance lease is secured against the motor vehicle with net book value of approximately RMB 525,000, and bears effective interest rate of 6.61% per annum.

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

	Group	
	FY2007 RMB'000	FY2006 RMB'000
Cash flows from operating activities		
Net profit attributable to shareholders	42,206	54,081
Adjustments for :		
Depreciation expense	2,210	934
Fixed assets written-off	98	-
Income tax expenses	3,221	-
Interest income	(217)	(9)
Interest expenses	29	937
Operating profit before working capital changes	47,547	55,943
Trade and other receivables	(9,722)	(33,466)
Inventories	(1,285)	(5,742)
Trade and other payables	(10,634)	22,856
Cash generated from operations	25,906	39,591
Income tax paid	-	-
Net cash from operating activities	25,906	39,591
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,237)	(877)
Interest received	217	9
Net cash used in investing activities	(18,020)	(868)
Cash flows from financing activities		
Repayment of finance lease obligation	(114)	-
Proceeds from issuing shares	82,162	-
Interest paid	(29)	(937)
Net cash from (used in) financing activities	82,019	(937)
Net effect of exchange rate changes in consolidating foreign currency financial statements	638	(3)
Net increase in cash	90,543	37,783
Cash at beginning of the year	38,465	682
Cash at end of the year	129,008	38,465

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

	Issued capital	Statutory reserves	Foreign currency translation reserves	Retained earnings	Total
Group (RMB'000)					
Balance at 1 April 2006	34,687	10,206	77	50,489	95,459
Foreign currency translation difference	-	-	635	-	635
Net income recognised directly in equity	-	-	635	-	635
Net profit for the year	-	-	-	42,206	42,206
Total recognised income and expense for the year	-	-	635	42,206	42,841
Issue of new shares	94,247	-	-	-	94,247
Share issue expenses	(12,085)	-	-	-	(12,085)
Appropriation for the year	-	4,664	-	(4,664)	-
Balance at 31 March 2007	116,849	14,870	712	88,031	220,462
Balance at 1 April 2005	10,000	4,602	80	26,699	41,381
Foreign currency translation difference	-	-	(3)	-	(3)
Net income recognised directly in equity	-	-	(3)	-	(3)
Net profit for the year	-	-	-	54,081	54,081
Total recognised income and expense for the year	-	-	(3)	54,081	54,078
Capitalisation by bonus issue	24,687	-	-	(24,687)	-
Appropriation for the year	-	5,604	-	(5,604)	-
Balance at 31 March 2006	34,687	10,206	77	50,489	95,459

(a) (a)

	Issued capital	Foreign currency translation reserves	Retained earnings	Total
Company (RMB'000)				
Balance at 1 April 2006	34,687	77	(645)	34,119
Foreign currency translation difference	-	2,522	-	2,522
Net income recognised directly in equity	-	2,522	-	2,522
Net loss for the year	-	-	(6,173)	(6,173)
Total recognised income and expense for the year	-	2,522	(6,173)	(3,651)
Issue of new shares	94,247	-	-	94,247
Share issue expenses	(12,085)	-	-	(12,085)
Balance at 31 March 2007	116,849	2,599	(6,818)	112,630
Balance at 1 April 2005	10,000	80	(47)	10,033
Foreign currency translation difference	-	(3)	-	(3)
Net income recognised directly in equity	-	(3)	-	(3)
Net profit for the year	-	-	24,089	24,089
Total recognised income and expense for the year	-	(3)	24,089	24,086
Capitalisation by bonus issue	24,687	-	(24,687)	-
Balance at 31 March 2006	34,687	77	(645)	34,119

(a)

(a) Not available for distribution as cash dividends

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

On 17 April 2006, the Company was admitted to the Official List of the SGX-ST. The Company issued a total of 59 million New Shares of S\$0.32 each. The proceeds of the Initial Public Offering ("IPO") amounted to approximately S\$18.88 million and total IPO expenses attributed to the IPO amounted to approximately S\$2.4 million or approximately RMB 12.0 million. Net IPO proceeds of approximately S\$16.5 million or approximately RMB 82.2 million was capitalised as the Company's issued and paid up capital. For more information on the IPO, please refer to our Company's Prospectus dated 5 April 2006.

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

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

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

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

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

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

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

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

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

	Group	
	FY2007	FY2006
	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	18.24	30.90
Weighted average number of ordinary shares in issue for basic earnings per share	231,413,699	175,000,000

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	
	31 March 2007	31 March 2006	31 March 2007	31 March 2006
	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	94.21	54.55	48.13	19.50
Number of shares use in calculating net asset value	234,000,000	175,000,000	234,000,000	175,000,000

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

Revenue

Our products can be categorised mainly into (a) explosive devices such as boosters, seismic charges and tube charges; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; and (c) industrial detonators such as non-electric detonators and piston non-electric detonators. The breakdown of our revenue by the above product types and geographical segments during the financial year ended 31 March 2006 ("FY2006") and financial year ended 31 March 2007 ("FY2007") are as follows:

	Group				% change
	FY2007		FY2006		
	RMB'000	%	RMB'000	%	
Explosives devices	90,188	49.7	89,170	57.3	1.1
Industrial fuse and initiating explosive devices	68,669	37.9	47,393	30.4	44.9
Industrial detonators	21,674	11.9	18,516	11.9	17.1
Others ⁽¹⁾	860	0.5	666	0.4	29.1
	181,391	100.0	155,745	100.0	16.5

	Group		% Change
	FY2007 RMB'000	FY2006 RMB'000	
	Revenue		
Within PRC	109,858	76,146	44.3
Outside PRC			
Sales through export distributors ⁽²⁾	38,624	14,427	167.7
United States of America	-	8,197	N.A.
Australia	23,742	52,566	(54.8)
Others	9,167	4,409	107.9
	71,533	79,599	(10.1)
	181,391	155,745	16.5

Note :

(1) Others include sales of raw materials.

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

FY2007 revenue increased by approximately RMB 25.6 million or 16.5% from FY2006's RMB 155.7 million to FY2007's RMB 181.4 million, mainly due to the increase in sales within the PRC and sales through export distributors but is partially offset by the decrease in revenue from sales to Australia and the United States of America.

a) Sales within PRC

Sales within PRC increased by approximately RMB 33.7 million or 44.3%. The increase was mainly due to the general increase in demand of commercial explosives used for infrastructure, mining and hydroelectric construction projects in the PRC. In particular, our sales to Zhejiang, Shanxi and Anhui had increased significantly due to the increase in demand of commercial explosives used for infrastructure, mining and hydroelectric construction projects in those areas.

Sales within the PRC increased also due to the introduction of our new product, seismic charges, during the current financial year. Sales of seismic charges approximate RMB 5.6 million during FY2007.

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

Revenue (Cont'd)

b) Sales through export distributors

Sales through export distributors increased by approximately RMB 24.2 million or 167.7%. The increase is mainly due to the recognition of our products, mainly boosters, by the overseas customers of our export distributors.

c) Sales to other countries

Sales to other countries increased by approximately RMB 4.8 million or approximately 107.9% mainly due to the commencement of sales of piston non-electric detonators to the South Africa market.

d) Sales to United States of America ("USA")

There was no sale to USA during FY2007 due to the tighter security control in USA against terrorism acts. We are continuously working with the relevant government authorities for our products to be exported to the USA.

e) Sales to Australia

Sales to Australia decreased by approximately RMB 28.8 million or 54.8%. The decrease was mainly due to the increase in sales within PRC, as our production was scheduled to meet the increasing orders for our local PRC sales. In addition, our sales to Australia are also depending on the timing and frequency of vessels for explosive products from Australia to the PRC and from the PRC to Australia. As commercial explosives products require a special type of vessel, delivery schedules will depend very much on the timing of the vessel arriving and leaving the PRC.

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

Gross profit margin

Gross profit margin deteriorates by approximately 4.8 percentage points from 44.3% during FY2006 to 39.5% during FY2007. The decrease in our gross profit margin during FY2007 was mainly due to the reduced usage of alternative explosive chemicals, i.e. re-processed PETN, which we had purchased from China's State Reserves Bureau ("CSRB") at very competitive prices. During FY2006, we were able to use the re-processed PETN to replace PETN and RDX in the manufacturing of our explosive products, however as this raw material starts to run-out, we have reduced our usage of this raw material in our production process during FY2007. As such, the gross profit margin decreased by approximately 4.8 percentage points.

Financial income / (Financial Expenses)

Financial income increased by approximately RMB 212,000 and financial expense decreased by approximately RMB 908,000. The reason for the increase in financial income was mainly due to the interest income from banks arising from the net IPO proceeds received in April 2006 of approximately S\$16.5 million. During FY2006, our China subsidiary has a bank loan of RMB 20 million which was fully repaid in October 2005. The decrease in financial expense was mainly due to the absence of the aforementioned bank loan during FY2007.

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)**

Operating expenses

Distribution costs increased by approximately RMB 3.0 million or 50.7% mainly due to the increase in sales revenue during FY2007 and a sales discount of approximately RMB 1.2 million. The sales discount was given to certain PRC customers as an incentive for their increased purchase of our commercial explosives products.

Administrative expenses increased by approximately RMB 9.2 million or 112.2% mainly due to the increase in directors' fees, executive directors' remuneration, staff costs and safety expenses accrued for our PRC operations. Accrual for directors' fees and executive directors' profit sharing increased as there were no directors' fees and executive directors' remuneration expenses incurred before the Company was listed in April 2006. Staff costs increased mainly due to the increase in the number of employees for our new seismic charge manufacturing plant and for the Singapore office operations. According to a new PRC regulation issued by the State Administration of Work Safety for commercial explosives companies which came into effect during FY2007, our PRC subsidiary has to accrue for safety expenses as a provision for investment in safety improvement made to the manufacturing plant and environment. This new regulation is mainly to regulate the safety requirement for all commercial explosives companies.

Other charges relate to some fixed assets, with net book value of approximately RMB 98,000, being written-off during FY2007.

Income tax expenses

According to the Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises of the PRC, the China operating subsidiary of the Group, Shandong Yinguang Technology Co., Ltd. ("Yinguang Technology"), qualifies to enjoy a five-year tax incentive period. Under the terms of the said tax incentive period, Yinguang Technology is exempted from paying income tax for the first two profitable years of operations and is granted a 50.0% relief from the state income tax of 30.0% for the following three years. Yinguang Technology is exempted from paying the provincial income tax of 3.0% during its years of operations. The first profitable year of Yinguang Technology is 2005. Hence, the profits derived during calendar year 2005 and 2006 were exempted from income tax. With effect from 1 January 2007, Yinguang Technology will be liable to pay 15% tax, representing 50.0% of the state income tax of 30.0%, for 3 consecutive years.

Balance sheet

Cash and cash equivalents, trade and other receivables and inventories represent approximately 55.0%, 39.8% and 5.2% of our total current assets as at 31 March 2007.

Trade receivables increased by approximately RMB 19.8 million or 28.1% mainly due to the increase in sales revenue for FY2007. Other receivables decreased by approximately RMB 10.1 million or 76.2% mainly due to the deferred expenditure of approximately RMB 12.0 million as at 31 March 2006 which was set-off against the IPO proceeds in April 2006.

Inventories increased by approximately RMB 1.3 million or 11.7% from FY2006's RMB 11.0 million to FY2007's RMB 12.2 million. The increase was mainly due to the increase in raw materials balance as at 31 March 2007 as a result of the expectation of increasing production schedules as compared to the preceding financial year.

Fixed assets increased by approximately RMB 16.5 million mainly due to the purchase of the seismic charge plant and equipment for approximately RMB 12.2 million.

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

Balance sheet (Cont'd)

As at 31 March 2007, our current liabilities comprise of trade and other payables of approximately RMB 32.6 million, finance lease obligation of approximately RMB 67,000 and provision for taxation of approximately RMB 3.2 million. Non-current finance lease obligation approximates RMB 403,000.

Trade payables and accruals remained relatively constant for the two financial years. Other payables decreased by approximately RMB 10.6 million or 72.1% mainly due to the payment made for IPO expenses incurred during the Company's IPO process. The payment for IPO expenses will be a one-off event.

Total finance lease obligation of approximately RMB 470,000 consists of a 7 years finance lease secured against a motor vehicle with net book value of approximately RMB 525,000 and bears effective interest rate of 6.61% per annum.

Cash flow

For the financial year ended 31 March 2007, the Group has net cash generated from operating activities of approximately RMB 25.9 million, net cash used in investing activities of approximately RMB 18.0 million and net cash generated from financing activities of approximately RMB 82.0 million.

The net cash used in investing activities includes the payment of approximately RMB 12.2 million for the seismic charge plant in May 2006.

The Group also obtained net IPO proceeds of approximately S\$16.5 million or RMB 82.2 million in April 2006.

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.**

Application for purchase of re-processed RDX

Our China operating subsidiary, Yinguang Technology had applied and obtained the purchase of re-processed RDX from China's State Reserves Bureau ("CSRB"). Similar to re-processed PETN, re-processed RDX is also a type of alternative explosive chemicals which we are expecting to purchase at a very competitive price. Yinguang Technology had commenced the purchase and use of re-processed RDX during April 2007. In this connection, the management expects to have a positive impact on our gross profit margin for the following financial year.

Application for export licence

Our China operating subsidiary, Yinguang Technology had applied for export licence to carry out its own export. Currently, Yinguang Technology exports its products to overseas customers through export agents. Once Yinguang Technology's export licence is approved, Yinguang Technology will be able to export its products directly to its customers overseas. This will bring numerous benefits to the Group, for example, the Group will not need to pay export agent fees to export agents and the Group will be able to strengthen our direct relationship with our overseas customers.

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. (Cont'd)**

Mergers and acquisitions

The Commission of Science, Technology and Industry for National Defense (“Commission”) in China is currently encouraging the commercial explosives industry in China to consolidate and to eliminate those smaller scale commercial explosives companies. In line with this policy, our Managing Director, Mr Sun Bowen, has been approached by the Commission for major acquisition plans in the future.

Our management is currently in the process of assessing some smaller scale commercial explosives companies for purposes of consolidation into our Group. Based on Mr Sun’s years of experience in commercial explosives industry, the Board of Directors believes Mr Sun will be able to consolidate and bring valuable acquisition targets to our Group. Should there be any concrete acquisition target, we will seek approval, where necessary, from our Shareholders and the relevant authorities, as required by the relevant laws and regulations.

11. **Dividend**

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

Yes.

Details of dividend

Name of dividend :	First and final
Dividend type :	Cash
Dividend rate :	0.5302 Singapore cents per ordinary share (tax exempt one-tier)

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

None.

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

To be announced later.

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

To be announced later.

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

Not applicable.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

Business segments

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

FY2007 RMB'000	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Others	Total
Revenue	90,188	68,669	21,674	860	181,391
Segmental results	21,807	36,759	6,549	180	65,295
Financial income					221
Financial expenses					(29)
Unallocated corporate expenses					(20,060)
Profit before income tax					45,427
Income tax expenses					(3,221)
Net profit attributable to shareholders					42,206
Other information:					
Assets					
Segmental assets	14,035	3,993	6,599	–	24,627
Unallocated corporate assets					232,131
Total assets					256,758
Liabilities					
Segmental liabilities	390	265	603	–	1,258
Unallocated segmental liabilities					35,038
Total liabilities					36,296
Capital expenditure	12,351	49	2,107	–	14,507
Unallocated capital expenditure					4,314
Total capital expenditure					18,821
Depreciation	886	299	298	–	1,483
Unallocated depreciation					727
Total depreciation					2,210
Non-cash expenses other than depreciation	2	74	22	–	98

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

Business segments (Cont'd)

FY2006 RMB'000	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Others	Total
Revenue	89,170	47,393	18,516	666	155,745
Segmental results	31,479	26,645	7,323	666	66,113
Financial income					9
Financial expenses					(937)
Unallocated corporate expenses					(11,104)
Profit before income tax					54,081
Income tax expenses					-
Net profit attributable to shareholders					54,081
Other information:					
Assets					
Segmental assets	4,193	4,270	2,418	-	10,881
Unallocated corporate assets					127,817
Total assets					138,698
Liabilities					
Segmental liabilities	360	306	368	-	1,034
Unallocated segmental liabilities					42,205
Total liabilities					43,239
Capital expenditure	20	92	237	-	349
Unallocated capital expenditure					528
Total capital expenditure					877
Depreciation	244	304	264	-	812
Unallocated depreciation					122
Total depreciation					934
Non-cash expenses other than depreciation					-

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

Geographical segments

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

	FY2007	FY2006
	RMB'000	RMB'000
<u>Revenue</u>		
Within PRC	109,858	76,146
<u>Outside PRC</u>		
Sales through export distributors *	38,624	14,427
United States of America	-	8,197
Australia	23,742	52,566
Others	9,167	4,409
	<u>71,533</u>	<u>79,599</u>
	<u>181,391</u>	<u>155,745</u>

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

Carrying amount of segment assets

Within PRC	255,576	126,457
Singapore	1,182	12,241
	<u>256,758</u>	<u>138,698</u>

Capital expenditure

Within PRC	17,744	859
Singapore	493	18
	<u>18,237</u>	<u>877</u>

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

Business segments

Revenue generated from the three main business segments, namely explosives devices, industrial fuse and initiating devices and industrial detonators, increased by approximately 1.1%, 44.9% and 17.1% respectively. Gross margin from these segments deteriorate during FY2007 during to the shortage of cheaper raw materials, re-processed PETN, as mentioned under Note 8 above.

During FY2007, the Group commenced the production and sales of seismic charges, which is included in the explosives devices segment. Sales of seismic charges approximate RMB 5.6 million during FY2007.

Geographical segments

During FY2007, PRC revenue increased by approximately RMB 33.0 million or 43.4% but export revenue decreased by approximately RMB 4.8 million or 10.1%. PRC and export revenue represents approximately 60.4% (FY2006: 48.9%) and 39.6% (FY2006: 51.1%) of the total revenue for FY2007.

There is no sale to USA during FY2007 due to the tighter security control in USA against terrorism acts and sales to Australia decreased by approximately RMB 28.8 million or 54.8% mainly due to the increase in sales within PRC, as our production was scheduled to meet the increasing orders for our local PRC sales. In addition, our sales to Australia are also depending on the timing and frequency of vessels for explosive products from Australia to the PRC and from the PRC to Australia. However, the decrease from the sales to USA and Australia were partially off-set by the sales through export distributors and other countries during FY2007.

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

15. A breakdown of sales.

	Group		Increase/ (Decrease)
	FY2007	FY2006	
	RMB'000	RMB'000	%
Revenue reported for first half year	74,488	51,457	44.8
Operating profit after tax reported for first half	18,663	17,643	5.8
Revenue reported for second half year	106,903	104,288	2.5
Operating profit after reported for second half year	23,543	36,438	(35.4)

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

Not applicable.

17. Interested Person Transaction

Name of interested person	Nature	Aggregate value of all interested person transaction (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		FY2007 RMB'000	FY2006 RMB'000	FY2007 RMB'000	FY2006 RMB'000
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	3,000	3,000	-	-
	Purchase of inventories	-	12,195	-	-
Feixian Yinguang Substances Development Co., Ltd	Purchase of packaging materials	4,227	8,173	-	-
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	2,369	2,466	-	-
Feixian Yinguang Magnesium Co., Ltd	Purchase of magnesium materials	537	330	-	-
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	768	471	-	-

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

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

Aoxin is an import and export trading company. It is also one of the few export companies in the PRC with the relevant licence to export commercial explosives. Shandong Yinsheng Investments Co., Ltd (“Yinsheng Investments”), who is 54.3% owned by our executive officer, Sun Qiang, has a 22.2% interest in Aoxin. Our Managing Director is also a non-executive director of Aoxin.

We sell our commercial explosives to Aoxin which in turn sells to its customers overseas. In addition, we also engage the services of Aoxin to export our products to our overseas customers as we do not have the relevant licence to export commercial explosives. We negotiate the terms of sales and sign the sales contracts with our overseas customers. The transactions were entered into on normal commercial terms and on arm’s length basis.

	FY2007	FY2006
Nature	RMB’000	RMB’000
Sales of commercial explosives to Aoxin	36,124	11,910
Sales of commercial explosives to our overseas customers through Aoxin	28,548	42,536

BY ORDER OF THE BOARD
SUN BOWEN
MANAGING DIRECTOR
28 MAY 2007