2008 saw the strongest set of financial results. We achieved a record-breaking performance in revenue, gross profit and net profit.

igniting our growth dynamics

Our growth is underpinned by strong demand for our initiation systems from commodity driven economies like China, Australia and South Africa. We are focused on strengthening our presence in these economies through acquisition and organic growth.

Igniting Our Growth Dynamics

2008 saw the strongest set of financial results. We achieved a record-breaking performance in revenue, gross profit and net profit.

Our growth is underpinned by strong demand for our initiation systems from commodity driven economies like China, Australia and South Africa.

We are focused on strengthening our presence in these economies through acquisition and organic growth.

Performance Driven

+ 32.0%

Revenue increased to RMB 239 million

+ 45.4%

Gross profit increased to RMB 104 million

+ 42.9%

Net profit increased to RMB 60 million

+ 58.3%

EDITDA increased to RMB 75 million

+ 41.3%

Earnings per share rose to RMB 25.77 cents

+ 26.8%

Group total assets increased to RMB 325 million

Igniting Our
Team Dynamics

Our people are the key contributors to the Group's strong performance. They are our most valued asset as every individual played a key role to achieving this year's remarkable results.

We would like to dedicate this annual report to our team of professionals and employees, and pledge to continue building our company on the solid foundations of core values and strengths.


Dr. Lim Seck Yeow
Non-executive Chairman
Mr. Sun Bowen
Managing Director

We are pleased to begin the new financial year by reporting the strongest set of FY2008 results since our listing in April 2006.

Our Group delivered high growth in terms of revenue, gross profit and net income in FY2008 by 32.0%, 45.4%, and 42.9% respectively.

The growth was underpinned by strong demand for our initiation systems from commodity driven economies including China, Australia and South Africa.

LETTER TO SHAREHOLDERS

Dear Shareholders,

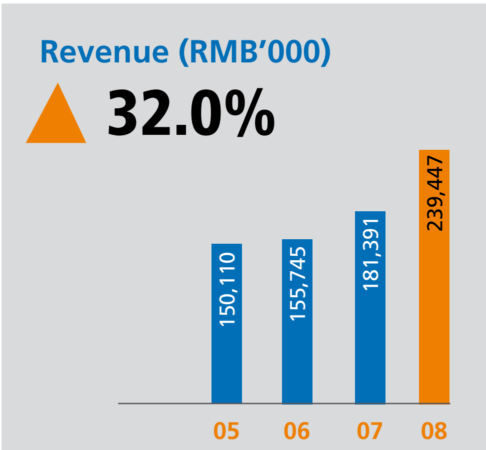
Rock solid results

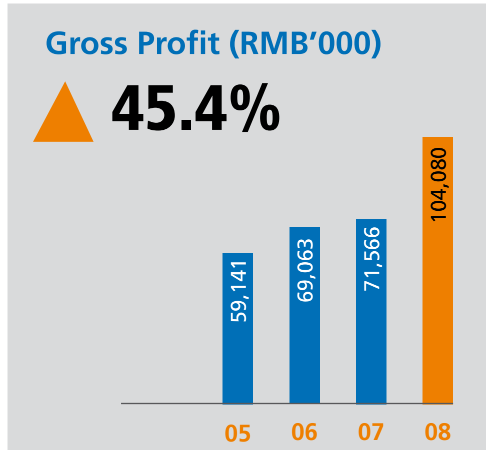
We are pleased to begin the new financial year by reporting the strongest set of FY2008 results since our listing in April 2006. Our Group delivered high growth in terms of revenue, gross profit and net profit in FY2008 by 32.0%, 45.4%, and 42.9% respectively. The growth was underpinned by strong demand for our initiation systems from commodity driven economies including China, Australia and South Africa.

The delivery of substantial growth in FY2008 can be attributed to the relentless efforts of our experienced team of managers. Production operated at near full capacity in the second half of FY2008 in order to cope with the increase in demand for our initiation systems. Each of the division managers ranging from procurement, production, sales and marketing as well as safety and technology contributed significantly to achieve this remarkable result.

The sales performance of our explosive devices segment (mainly boosters) and the industrial fuse and initiating devices segment (mainly detonating cords) contributed 77.0% of our Group's total revenue for FY2008. This represents growth of RMB 25.7 million or 16.2% to RMB 184.5 million. Moving forward, we will continue to focus on the sales of boosters and detonating cords to fulfill the increasing demand from our supportive customers.

We would like to highlight the sales performance of our piston non-electric detonators ("PNED") that grew significantly by RMB 32.7 million or 150.7% to RMB 54.3 million in FY2008. It represents 22.7% of total revenue and is a patented product of our Group. We were proactive in the development of PNED over the last three years and we see growth potential in export markets for this product.





Charged for growth

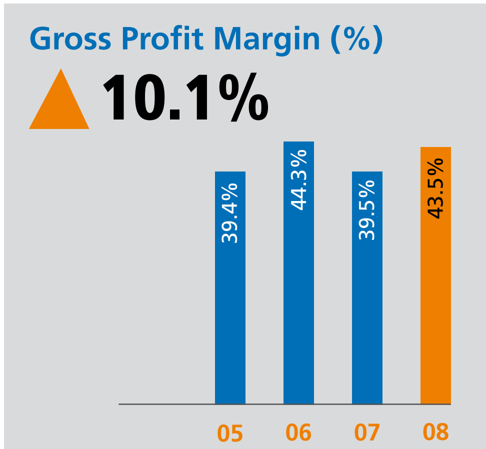
Our Group's strategy is to transform the current initiation systems business into a leading integrated commercial explosives business. We envisage our Group having ownership in businesses spanning from ammonium nitrate, explosives and initiation systems manufacturing in China with distribution capabilities in commodity driven economies such as in China, Australia and South Africa. We believe that this strategy is substantiated by the super cycle growth of the commodity industry globally which according to experts, is expected to last for another 10 to 15 years.

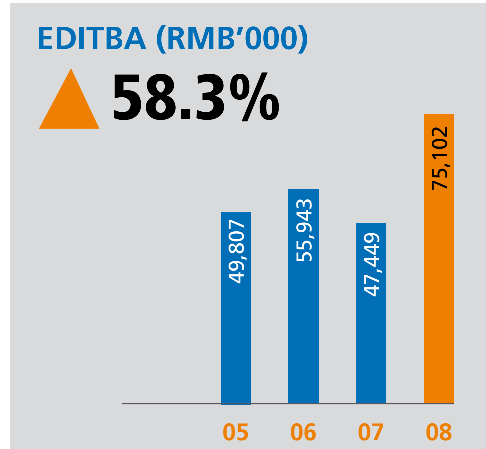
To execute this strategy, we have been deploying financial and human resources into various projects in China. We are at the high growth stage where our management is prudently evaluating the feasibility of each new project identified. In FY2008, a special project committee comprising personnel with expertise in business development, finance, operations, safety and technology together with professionals including independent financial advisors and lawyers have been tasked with the responsibility of evaluating all new projects identified by our management. The findings and recommendations of these projects will be submitted to our board of directors for consideration and approval. In this way, the risks and returns profile of each new project is carefully deliberated. Also, our Group's resources can be better managed to execute the business development activities in China.

PROPONENTS OF GROWTH

Building greater outputs

Our goal over the next two years is to increase the revenue and profitability of our Group by





completing the construction of a PNED and a booster plant. These two plants, which are considered as major capital intensive projects, are located in the Shandong province in China, occupying a total land area of approximately 60,437 square metres with a build-up of approximately 12,502 square metres.

The new PNED plant will have a production capacity of 60 million units per annum. This plant will have three times the production capacity of the current plant which produces 20 million units per annum. When the new plant is completed in the second half of 2008, we will be the largest PNED producer in China. Currently, the Group is producing PNED in its existing plant located in Shandong and distributing PNED products mainly in China and South Africa. Upon the commercial production of the new plant, the existing plant will be converted into a trial and testing facility for PNED orders.

Another major capital intensive project is the construction of our new booster plant which has a production capacity of 3,000 tonnes per annum. Our Group's total production capacity for boosters will increase to 8,000 tonnes per annum when this project is completed, representing a 60.0% increase in our existing boosters production capacity of 5,000 tonnes per annum.

Currently, we are the largest manufacturer and exporter of boosters in China. Upon the completion of our boosters plant in the second half of 2008, our Group will be poised to capture the growth in demand from overseas markets. In addition, we witnessed a spike in demand for boosters from our customers in China as they are shifting to non-TNT explosives, which require the use of boosters to increase the efficiency of the explosions. Therefore, we are expecting an increase in demand for boosters from our customers in China.

As of 31 March 2008, a total capital expenditure of RMB 30.4 million was paid for these two projects.

Building on our strength

Our Group has proposed to acquire an ammonium nitrate company, Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), which is located in Hebei province in China. Hebei Yinguang has a production capacity of 30,000 tonnes of ammonium nitrate per annum. It occupies a total land area of 127,000 square metres and build-up of approximately 20,000 square metres. This acquisition will allow us to own a business which extends our value chain and differentiates us from other commercial explosives companies in China. Ammonium nitrate is a key material in the production of explosives. The consideration of this acquisition is estimated to be approximately RMB 24.1 million.

We expect to spend a further RMB 20 million to expand the production capacity by another 40,000 tonnes per annum to 70,000 tonnes per annum. When the project is completed, our Group will be well positioned as one of the major producers of ammonium nitrate around the north-eastern region of China.

Extending our lines

We have commenced a feasibility study to increase the production capacity of detonating cords manufacturing facilities by another 20 million metres per annum. With this new 20 million metres per annum of detonating cords capacity, the Group's detonating cords capacity will increase to 70 million metres per annum.

Continuing profitable relationships

In May 2008, we received a notification from Dyno Nobel that Incitec Pivot Limited ("Incitec Pivot"), Australia's largest manufacturer and distributor of fertilizer products, will be acquiring 100% of Dyno Nobel ("Acquisition"). Consequently, Dyno Nobel was de-listed from Australian Stock Exchange ("ASX") on 2 June 2008. Furthermore, we have received confirmation from Incitec Pivot that the strategic partnership between Fabchem and Dyno Nobel would continue following the completion of the Acquisition.

LETTER TO SHAREHOLDERS

We view the development positively because the Acquisition has strengthened Dyno Nobel's position as one of the top two global commercial explosives companies. Therefore, we believe that the enlarged entity of Incitec Pivot post Acquisition benefits our Group through our strategic partnership with Dyno Nobel.

As a result of the Acquisition, Mr. Shane Michael Gannon, Mr. Anthony Kutra and Mr. Timothy James Fry have resigned as directors of our Group. We would like to convey our appreciation of their services and the contribution to our Group during their term of service.

In July 2008, we have appointed Mr. Peter Neville Hogan and Mr. Alan Grace as our non-executive directors. Both newly appointed directors are senior executives of Incitec Pivot where Mr Peter Neville Hogan is Strategy & Development director and Mr Alan Grace is the President of Health, Safety and Environment and Major Projects. Given the strong background in the management of global commercial explosives company, their appointment is timely to transform our Group to becoming an integrated commercial explosives company with production capabilities in China.

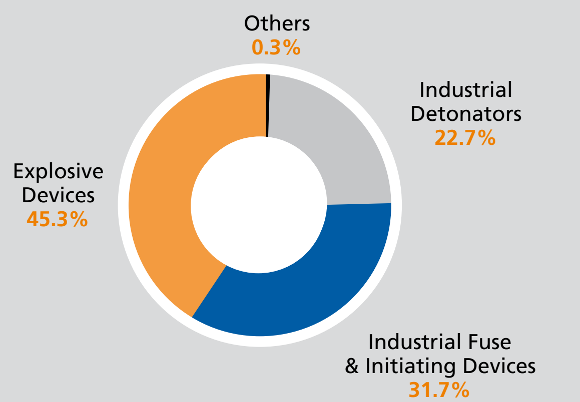
Incitec Pivot is an ASX Top 100 Company with market capitalization of more than A$11.0 billion. The Australian-based chemicals company manufactures, markets and distributes a range of fertilizers, explosives and initiating systems to customers around the world. A leader in its chosen markets, the company holds a portfolio of recognized and trusted brands and is the number one supplier of fertilizers in Australia. Incitec Pivot owns and operates 20 manufacturing plants in the USA, Canada, Australia and Mexico and has joint venture operations in Turkey, South Africa, Malaysia and China.

Financial review for FY2008

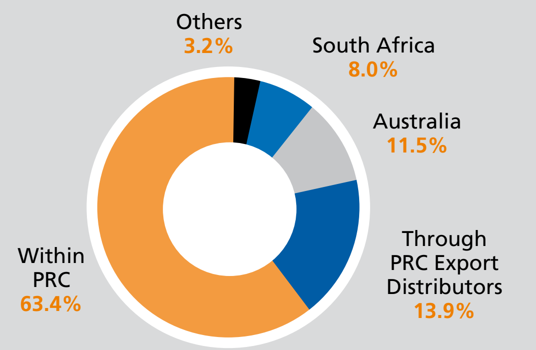
Our Group's revenue increased by RMB 58.1 million or 32.0% mainly due to the increased sales in China and to South Africa. Sales within China increased by approximately RMB 41.9 million or 38.2% while sales to South Africa increased by approximately RMB 14.8 million or 338.7%.

Gross profit margin improved from 39.5% to 43.5% as a result of increased sourcing efficiencies and utilization of re-processed raw materials.

Revenue Breakdown by Products in FY2008 (%)



Revenue Breakdown by Geographical Regions in FY2008 (%)



Our Group's net profit increased by RMB 18.1 million or 42.9% to RMB 60.3 million. The substantial growth was supported by strong performance in revenue and the improvement in gross profit margin. In addition, the continuing effort of cost reduction resulted in decreased in distribution expenses by approximately RMB 0.2 million. General and administrative expenses rose by approximately RMB 5.5 million or 31.6% mainly as a result of the increase in corporate expenses and expenses related to the increase in revenue.

The effective income tax rate was 16.9% in FY2008. Since 1 January 2007, our wholly-owned subsidiary in China, Yinguang Technology, was liable to pay a 15.0% tax rate, which represents half of the state income tax of 30.0% for three consecutive years. However with the lowering of state income tax from 30.0% to 25.0% effective 1 January this year, Yinguang Technology now pays a reduced tax rate of 12.5%, half the current state income tax rate of 25.0% for two years from 1 January 2008 to 31 December 2009. In addition, Yinguang Technology is exempt from paying the provincial income tax of 3.0% during its years of operations.

Our Group has a strong balance sheet with cash and cash equivalents of RMB 108.9 million as at the end of FY2008.

Net cash generated from operating activities was RMB 13.8 million, while net cash used in investing activities was RMB 27.4 million and net cash used in financing activities was RMB 6.3 million.

The net cash used in investing activities of approximately RMB 27.4 million is mainly due to the construction of our two new production facilities. We expect a substantial amount of our cash will be used to fund the investment activities in FY2009.

Our net cash used in financing activities is approximately RMB 6.3 million mainly due to the payment of dividends to shareholders of approximately RMB 6.2 million.

As at 31 March 2008, our Group utilized approximately RMB 16.3 million of our net IPO proceeds for the acquisition of a seismic charge manufacturing facility, equipments and machineries for the boosters and PNED manufacturing facilities. Unutilized IPO proceeds amounted to approximately RMB 66.0 million.

Acknowledgement

We are presented with an exciting future ahead where our capital investments into new projects are expected to yield good financial returns to the Group after these projects are fully operational. The acquisitions, upon full integration into our Group, will complement our strategy of becoming a leading commercial explosives group in China. We are committed to becoming a premier supplier of initiation systems to our customers in the commodity driven economies such as China, Australia and South Africa.

Lastly, we appreciate the support from our shareholders, management team, suppliers and customers. As we enter into an important growth stage of our business development in China, we look forward to your continued support of our expansion in FY2009.

Mr. Sun Bowen
Managing Director

Dr. Lim Seck Yeow
Non-executive Chairman

FINANCIAL HIGHLIGHTS

	FY2005 Proforma RMB'000	FY2006 Actual RMB'000	FY2007 Actual RMB'000	FY2008 Actual RMB'000
Revenue by Product Segments				
Explosive Devices	84,218	89,170	90,188	108,558
Industrial Fuse and Initiating Explosive Devices	59,219	47,393	68,669	75,970
Industrial Detonators	1,400	18,516	21,674	54,331
Others	5,273	666	860	588

	FY2005 Proforma RMB'000	FY2006 Actual RMB'000	FY2007 Actual RMB'000	FY2008 Actual RMB'000
Operating Results				
Revenue	150,110	155,745	181,391	239,447
Gross Profit	59,141	69,063	71,566	104,080
Profit before tax	44,605	54,081	45,427	72,558
Net Profit Attributable to Shareholders	35,065	54,081	42,206	60,308
EBITDA	49,807	55,943	47,449	75,102
Balance Sheet				
Non Current Assets	5,752	5,695	22,205	46,624
Current Assets	223,152	133,003	234,553	278,860
Current Liabilities	181,895	43,239	35,893	50,675
Non-current Liabilities	-	-	403	331
Shareholders' Equity	47,009	95,459	220,462	274,478
Cash Flow				
Net Cash used in from Operating Activities	4,827	39,591	25,906	13,762
Net Cash Used In Investing Activities	323	(868)	(18,020)	(27,393)
Net Cash (Used) / In From Financing Activities	(582)	(937)	82,019	(6,315)

致股东辞

尊敬的各位股东：

集团业绩坚如磐石

新财政年伊始，我们高兴地向各位股东报告，2008财政年本集团取得了自2006年4月上市以来的最好业绩，收入、毛利及净利润分别取得32.0%、45.4%及 42.9%的高增长率。毋庸讳言，这与包括中国、澳大利亚及南非的矿产品驱动型经济体系对本集团爆破系统的强劲需求是分不开的。

2008财政年本集团取得实质性增长，本集团的骨干力量 — 一支经验丰富的经理团队委实功不可没。为应付市场对起爆系统的需求，集团产能在2008财政年下半年达到几乎饱和状态，无论是采购、生产、销售与行销，还是安全与技术，所有部门的经理都兢兢业业，为取得如此骄人的业绩做出了重要贡献。

2008财政年对本集团总收入贡献最大的，要属特种爆破器材（以起爆具为主）以及工业索类火工品（以导爆索为主）的销售表现，占本集团的77.0%。总收入增加2,570万元人民币至1亿8,450万元人民币，增幅达16.2%。未来，我们将继续专注于起爆具和导爆索的销售业务，以满足我们的客户日益增长的需求。

这里我们想要特别强调的是2008财政年活塞式导爆管雷管的销售额大幅度增加了3,270万元或150.7%，达到5,430万元。它在本集团总收入中占22.7%，是本集团的专利产品。在过去三年当中，我们积极开发活塞式导爆管雷管这一新产品，并目睹了该产品在各个出口市场的增长潜力。

已为增长做好准备

本集团的增长策略，是将目前的起爆系统企业，打造成一家顶尖的综合民用爆破器材企业。预期本集团属下企业，将在中国生产硝酸铵、工业炸药及爆破系统，同时在包括中国、澳大利亚及南非在内的商品驱动型经济体分销这些产品。我们确信该策略适应于全球商品工业的增长周期。据专家分析，该周期预计将再持续10至15年不等。

为执行这一策略，我们一直精心部署财务和人力资源，将其落实到中国的各个项目之中。我们正处在一个高增长阶段，需要我们的管理层对所确定的每一个新项目的可行性给予谨慎的评估。2008财政年，一个由精于业务开发、财务、经营、安全和技术等专才连同独立财务顾问及律师等专业人士组成的专门项目委员会，受托负责对集团管理层所确定的全部新项目进行评估。有关这些项目的评估结果和建议，将提交给集团董事会进行审批。这样，就可确保每一个新项目的风险和回报情况都经过深思熟虑，同时，本集团的资源也能为进行中国的业务开发活动物尽其用，并得到更好的管理。

创造更大的产能

未来两年内本集团的目标，是建成一条活塞式导爆管雷管生产线和一条起爆具生产线，以便提高本集团的收入和获利能力。这两条生产线将建在中国的山东省，总占地面积约 60,437 平方米，建筑面积约12,502平方米。它们将成为本集团主要的资本密集型项目。

新建活塞式导爆管雷管生产线，将提供每年生产6,000万发雷管的产能，这比现有生产线生产的每年2,000万发雷管将提高三倍。当新生产线在2008年下半年竣工后，我们将成为中国规模最大的活塞式导爆管雷管生产商。目前，本集团的活塞式导爆管雷管主要产自于集团位于山东的现有工厂，产品主要供应中国和南非市场。一俟新生产线投入商业化生产，现有的生产线将转作活塞式导爆管雷管的试验与测试基地。

另一个资本密集型的大项目，是新建一条年产能 3,000吨的起爆具生产线。该生产线一旦建成，本集团的起爆具总产能将增加到每年8,000吨，比现有每年5,000吨的起爆具产能提高60%。

目前，本集团是中国境内规模最大的起爆具生产商兼出口商。当新起爆具生产线于2008年下半年建成后，本集团将有能力抓住来自海外市场需求增长的商机。除此之外，随着国内客户纷纷转用非梯恩梯民爆器材，我们目睹了其对起爆具需求的增加，因为非梯恩梯要求使用助爆药来提高爆炸功效。因此，我们预测国内客户对起爆具的需求将会上升。

截至2008年3月31日，本集团已为这两大项目共投入了3,040万元人民币。

打造我们的实力

本集团已献议收购一家硝酸铵公司，即位于中国河北省的河北银光化工有限公司(“河北银光”)。河北银光拥有年产30,000吨硝酸铵的生产能力。它占地面积约127,000平方米，建筑面积约20,000平方米。该收购可使我们拥有一家延申本集团价值链上游企业，并将我们同中国其他商用民爆器材公司区别开来。在商用民爆器材工业中，硝酸铵是生产工业炸药的主要原材料。估计该收购需要约2,410万元人民币。

我们预计会另耗资2,000万元人民币，将产能再扩大40,000吨，达到每年70,000万吨。当该项目建成后，本集团将有能力成为中国东北地区主要的硝酸铵生产商之一。

扩充我们的业务

为将导爆索生产的年产能再增加2,000万米，我们已开始可行性研究。随着该每年新增2,000万米导爆索产能的形成，本集团生产导爆索的能力，将提高到每年7,000万米。

继续保持获利关系

2008年5月，我们收到Dyno Nobel的通知，获悉澳大利亚规模最大的化肥产品生产商兼分销商Incitec Pivot Limited（“Incitec Pivot”），将收购Dyno Nobel的全部股份（“收购”）。随后，Dyno Nobel于2008年6月2日在澳大利亚股票交易所（“ASX”）除牌。此外，我们还收到Incitec Pivot的通知，确认中国杰化同Dyno Nobel之间建立的策略伙伴关系，将在此收购完成之后继续有效。

由于收购有助于加强Dyno Nobel作为全球两大顶尖商民用爆破器材供应商之一的地位，我们对这一发展持积极态度。因此，我们相信完成收购之后的Incitec Pivot，将因其规模壮大而使本集团得益于同Dyno Nobel已建立起来的策略伙伴关系。另外，本收购完成之后，Shane Michael Gannon 先生，Anthony Kutra先生和Timothy James Fry先生已辞去本集团董事职务。我们在此谨对他们在职期间为本集团做出的贡献，表示诚挚的谢意。

2008年7月，我们委任了 Peter Neville Hogan 先生和Alan Grace先生担任本集团的非执行董事。这两位新任董事，均为Incitec Pivot的高级管理人员，其中Peter Neville Hogan 先生是策略及发展董事而Alan Grace先生则是健康，安全，环境以及重大项目的总监。鉴于他们管理世界级民用爆器材企业的丰富经验，这个时候委任他们担任本集团董事不仅显得重要，而且非常及时，因为这将有助于将本集团打造成一家在中国拥有生产基地的综合性民用爆器材企业。

Incitec Pivot（“IPL”）是澳大利亚股票交易所首100家大公司之一，市值超过110亿澳元。这家总部设在澳大利亚的化工企业，主要业务是生产，销售及分销各种系列的化肥，工业炸药，起爆器材，其客户遍及世界各地。由于该公司在其各个市场据于领先地位，它不仅拥有若干个值得人们信赖的公认品牌，而且成为澳大利亚独占鳌头的化肥供应商。IPL在美国，加拿大，澳大利亚及墨西哥拥有和经营20家生产企业，在土耳其，南非，马来西亚以及中国也有合资企业。

2008财年之财务回顾

拜中国销售量及对南非出口增加所赐，本集团收入增加了5,810万元人民币，或增长32.0%。国内销售增加约4,190万元人民币，或增长38.2%，对南非出口则增加约1,480万元人民币，或增长 338.7%。

由于采购效率及原材料再加工利用率提高，致使毛利润从上一年的39.5%提高到本财政年的 43.5%。

本集团净利润增加1,810万元人民币，至6,030万元人民币，增幅高达42.9%。支撑这一增长的主要动力，是集团收入的强劲增长和毛利润的改善。除此之外，由于我们狠抓削减成本工作，集团的营业费用减少约20万元人民币。但由于公司行政费用及与收入增加相关的各种费用上涨，致使集团管理费用增加约550万元人民币，或增长31.6%。

2008财政年的实际所得税税率是16.9%。自2007年1月1日以来，我们在中国的独资子公司银光科技本应连续三年按15.0%的税率，即国家规定所得税率30.0%的一半缴纳所得税。但是，随着今年1月1日国家所得税率从30.0%下降到25.0%，银光科技现在只需按国家规定所得税率25.0%的一半，即12.5%的减免税率缴纳所得税，为期两年，从2008年1月1日至2009年12月31日。除此之外，银光科技在经营期间，还将豁免缴纳3%的地方所得税。

本集团资产负债表强稳。截至2008财政年底，集团的现金及现金等价物达到1亿890万元人民币。

从经营活动产生的现金净额为1,380万元人民币，用于投资活动的现金净额为2,740万元人民币，用于融资活动的现金净额为630万元人民币。

用于投资活动的约2,740万元人民币的现金净额，主要用于新建本集团的两大主要生产设施。我们预计在2009财政年，本集团的现金将主要用于投资活动。

本集团用于融资活动的现金净额约为630万元人民币，主要用于向股东支付约620万元人民币的股息。

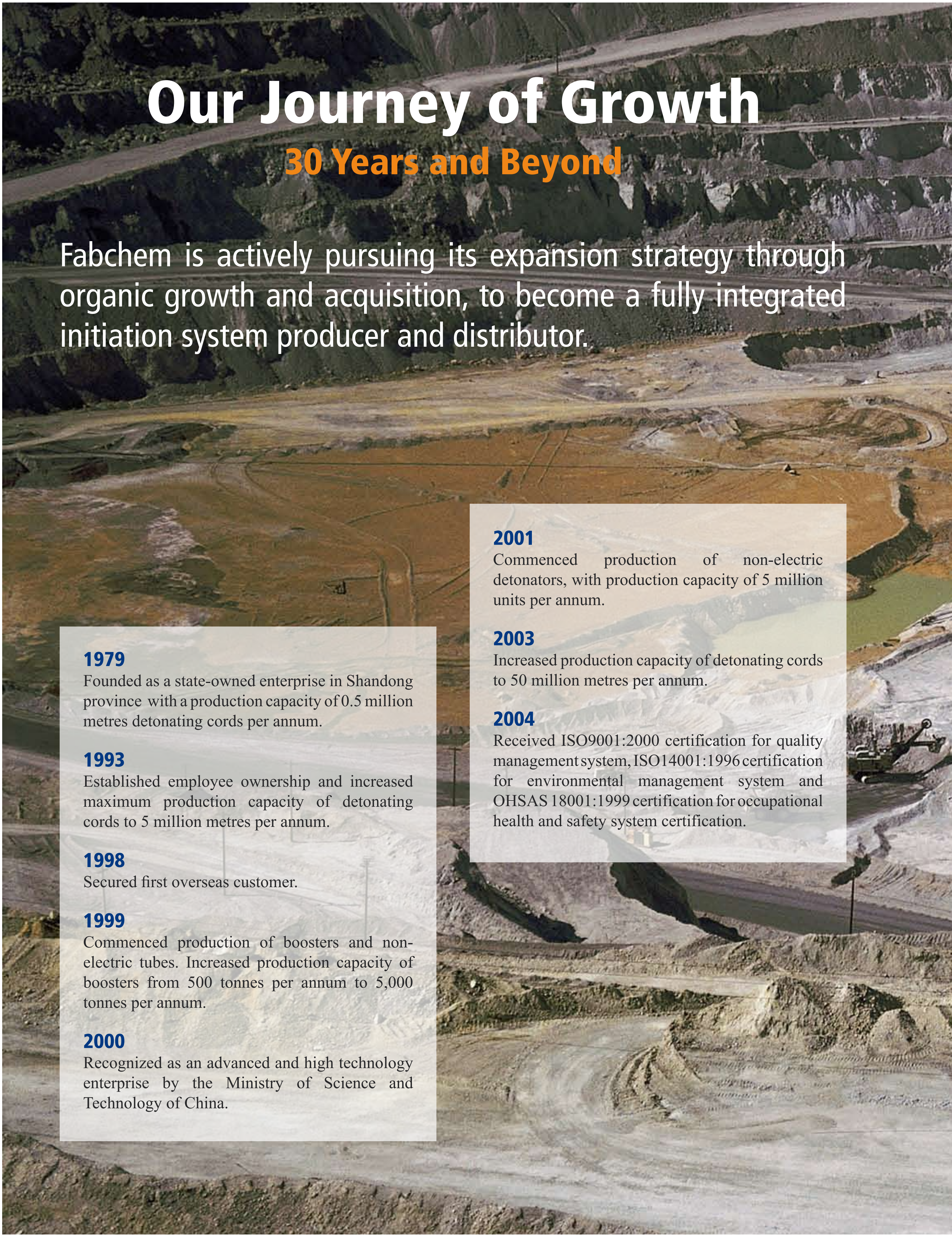
截止2008年3月31日，本集团支出约1630万元人民币的筹募资金，用于收购一条震源药柱生产线以及购买新起爆具和活塞式导爆管雷管的设备。还未使用的筹募资金约6600万元人民币。

鸣谢

未来呈现在我们面前的，是一幅令人兴奋的前景：我们在新项目中的资本投资，可望在全面投产后给本集团带来丰厚的财务回报。各项收购活动，一俟完全融入本集团，将对本集团成为中国顶尖民用爆破器材集团的经营战略形成有益的补充。我们致力于成为爆破系统方面首屈一指的供应商，为分布在各商品驱动型经济体如中国、澳大利亚和南非的客户，提供最优质的产品和服务。

最后，我们要感谢我们的股东、管理层、供应商及客户给予我们的鼎力支持。随着我们在中国的业务发展步入一个重要的增长阶段，我们期望在2009财年继续得到各位的支持，以便我们能够大展宏图，为各位创造更大的价值。

孙伯文	林植耀博士
董事经理	非执行主席



Our Journey of Growth

30 Years and Beyond

Fabchem is actively pursuing its expansion strategy through organic growth and acquisition, to become a fully integrated initiation system producer and distributor.

1979
Founded as a state-owned enterprise in Shandong province with a production capacity of 0.5 million metres detonating cords per annum.

1993
Established employee ownership and increased maximum production capacity of detonating cords to 5 million metres per annum.

1998
Secured first overseas customer.

1999
Commenced production of boosters and non-electric tubes. Increased production capacity of boosters from 500 tonnes per annum to 5,000 tonnes per annum.

2000
Recognized as an advanced and high technology enterprise by the Ministry of Science and Technology of China.

2001
Commenced production of non-electric detonators, with production capacity of 5 million units per annum.

2003
Increased production capacity of detonating cords to 50 million metres per annum.

2004
Received ISO9001:2000 certification for quality management system, ISO14001:1996 certification for environmental management system and OHSAS 18001:1999 certification for occupational health and safety system certification.

2006

April: The Group was successfully listed on the main board of the Singapore Exchange Securities Trading Limited ("SGT-ST").

May: Acquired seismic charge manufacturing facility located in Zaozhuang City, Shandong Province with the production capacity of 3,000 tonnes per annum.

August: Received approval from the Commission of Science, Technology and Industry for National Defense to design and build an 11,526 sq m (approximately) manufacturing facility in Shandong Province capable of producing up to 60 million units of piston non-electric detonators per annum.

2007

February: Dyno Nobel Limited, through its wholly owned subsidiary DNX Australia Pty Ltd, acquired a 29.9% shareholding in Fabchem China.

July: Shandong Yinguang Technology Co., Ltd. ("Yingguang Technology") obtained Export License approval from the Commission of Science, Technology and Industry for National Defense, to export its products to overseas customers through export agents.

December: Yinguang Technology entered into an Equity Purchase Agreement ("EPA") to acquire the entire equity interest of Hebei Yingguang Chemical Co., Ltd, a company principally engaged in the business of manufacturing and selling ammonium nitrate within China.

2009

Targeted to complete construction of manufacturing facilities capable of producing 3,000 tonnes of boosters and 60 million units of piston-non-electric detonators per year.

Our Growth Dynamics

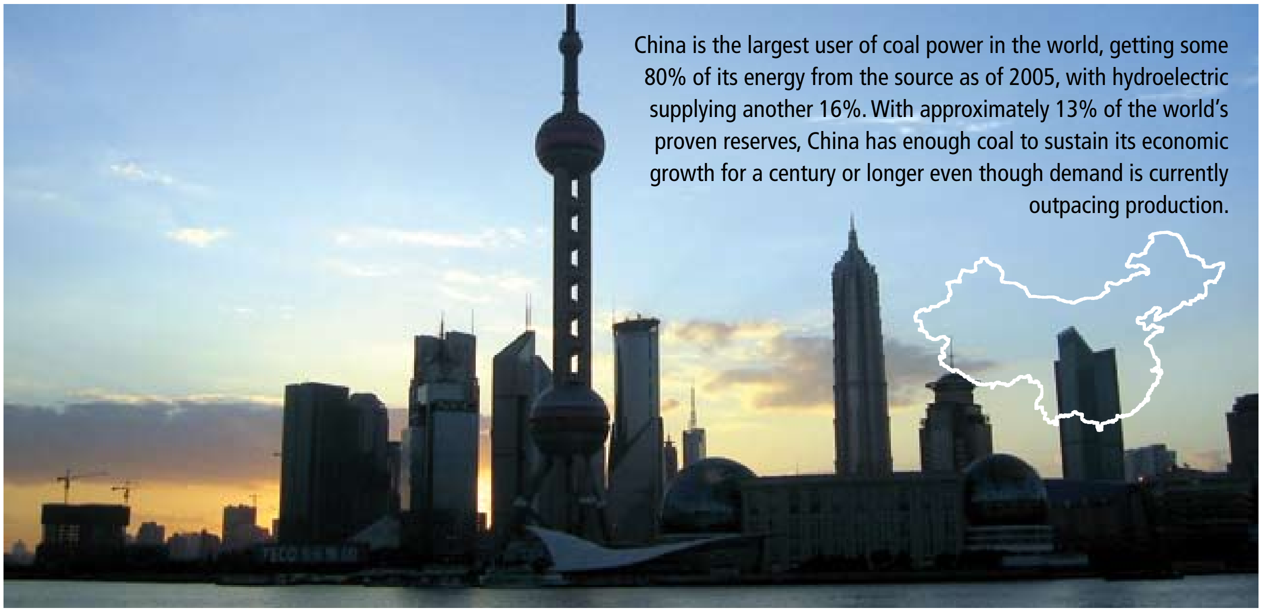
Well positioned to meet boosting demands

We envisage our Group having ownership in businesses spanning from ammonium nitrate, explosives and initiation systems manufacturing in China with distribution capabilities in commodity driven economies such as in China, Australia and South Africa.

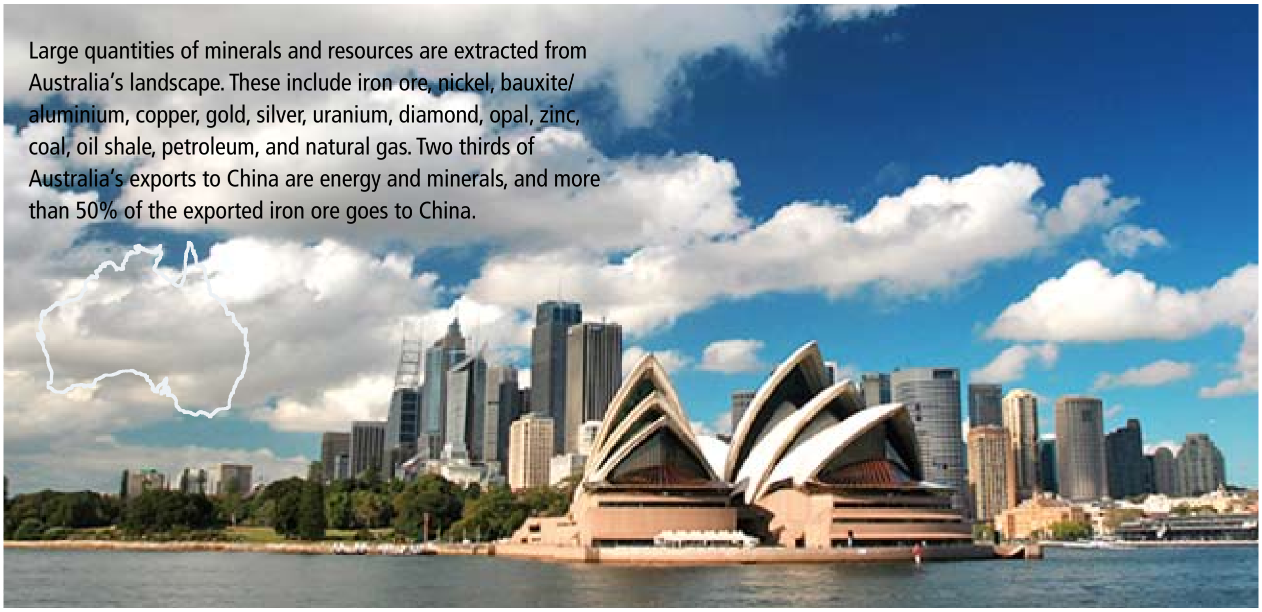
	FY2008	FY2009 & Beyond	
Piston Non-Electric Detonator	20 million units per annum	60 million units per annum	+200%
Booster	5,000 tonnes per annum	8,000 tonnes per annum	+60%
Detonating Cord	50 million meters per annum	70 million meters per annum*	+40%
Ammonium Nitrate		70,000 tonnes per annum	New Acquisition*

*Preliminary study by the Group

*Proposed acquisition pending for shareholders' approval



China is the largest user of coal power in the world, getting some 80% of its energy from the source as of 2005, with hydroelectric supplying another 16%. With approximately 13% of the world's proven reserves, China has enough coal to sustain its economic growth for a century or longer even though demand is currently outpacing production.



Large quantities of minerals and resources are extracted from Australia's landscape. These include iron ore, nickel, bauxite/aluminium, copper, gold, silver, uranium, diamond, opal, zinc, coal, oil shale, petroleum, and natural gas. Two thirds of Australia's exports to China are energy and minerals, and more than 50% of the exported iron ore goes to China.

South Africa is one of the leading raw material exporters in the world, exporting namely gold, diamonds, platinum, chromium, vanadium, uranium, iron ore and coal. These commodities make up about 60% of the entire nation's export.

BOARD OF DIRECTORS

DR. LIM SECK YEOW

Non-executive Chairman

Dr. Lim Seck Yeow is our non-executive Chairman and was appointed as our Director on 12 October 2004 and re-elected on 27 July 2006. He also serves on the boards of China Powerplus Limited and Zhongguo Jilong Limited which are listed on the Singapore Stock Exchange. Dr. Lim was previously the Managing Director of China Food Industries Limited from 2001 to 2006. He holds an honorary Doctorate of Philosophy in Entrepreneurship from Wisconsin International University in the United States.

SUN BOWEN

Managing Director

Sun Bowen is our Managing Director and was appointed as our Director on 16 June 2005 and re-elected on 25 July 2005. He is responsible for the overall management and operations and is also responsible for formulating business strategies and policies for our Group. He has been with the Group since 1980 when Feixian Chemical Factory was first established in 1979. He was a factory manager in Feixian Chemical Factory and thereafter became a majority shareholder of Yinguang Chemical Group. He was also the director and general manager of Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Chemical Group") from December 1997 to May 2004. Sun Bowen has more than 20 years of experience in the explosives industry. He started as a mechanic in 1966, and thereafter became a technician and factory manager in the period from 1976 to 1993. In March 1993, he became a director of Shandong Yinguang Chemical Industry Co., Ltd ("Yinguang Chemical") till 2004. He is currently a non-executive director of Yinguang Chemical Group, Yinguang Chemical and the managing director of our subsidiary, Shandong Yinguang Technology Co., Ltd.

BAO HONGWEI

Executive Director / General Manager

Bao Hongwei is our General Manager and was appointed as our Director on 16 June 2005 and re-elected on 25 July 2005. He is responsible for the day-to-day management and operations of our Group. He joined Feixian Chemical Factory in 1989 as a section manager and was subsequently promoted to deputy factory manager in 1991. In 1997, he was a non-executive director of Yinguang Chemical Group and also a managing director and general manager of Feixian Yinguang Drawnwork Co., Ltd. He is currently a non-executive director of Yinguang Chemical Group, Yinguang Chemical and Feixian Yinguang Drawnwork Co., Ltd and Yinguang Zhicheng Household Co. Ltd. He obtained a certificate in economics management from the Jinan Workers University in 1994 and a Masters in Business Administration from the Tsinghua University in 2000. He also obtained a Bachelor Degree in Economics Management from the Provincipal Party Committee School of Shandong in 2002 and a Master Degree in Administrative Management from Beijing Normal University in 2004.

PETER NEVILLE HOGAN

Non-executive Director

Peter Neville Hogan is our non-executive director and was appointed on 2 July 2008. Peter Neville Hogan is currently the Strategy & Development Director of Incitec Pivot Ltd ("Incitec Pivot"). Prior to joining Incitec Pivot in 2008, he was with PricewaterhouseCoopers for 23 years, including 17 years as a Partner. He has extensive experience in providing business advisory services to Australian and overseas listed public companies and large private companies. He has particular experience with companies operating in the consumer and industrial products sectors. He is also a Director of the Villa Maria Society, an Australian not-for-profit organisation providing services in the aged care and disability sectors.

BOARD OF DIRECTORS

ALAN GRACE

Non-executive Director

Alan Grace is our non-executive director and was appointed on 2 July 2008. Alan Grace is currently the President of Health, Safety and Environment ("HSE") and Major Projects. Alan Grace is also a member of Incitec Pivot Ltd's Executive Team. Alan Grace has experience in the manufacture and marketing of initiating systems gained in the role of Initiating System Product Manager with Orica Explosives during 1998 to 1999. Alan Grace joined Incitec Pivot Ltd ("IPL") in 2000 as a Manufacturing Technology Manager and he has experience in the operation and construction of ammonium nitrate plants. During Alan Grace's employment with IPL, he fulfilled a number of roles in manufacturing, engineering and business management including the role of General Manager, Industrial Chemicals for IPL.

ONG TAI TIONG DESMOND

Independent Director

Ong Tai Tiong Desmond is our Independent Director and was appointed Director on 17 February 2006 and re-elected on 27 July 2006. Currently, he is the Regional Managing Director of DLA Piper Singapore Pte Ltd ("DLA"), an international law firm, where he undertakes the overall responsibility for the business performances of DLA's South East Asian offices. Mr Ong is an independent director of Iconic Global Limited, China Powerplus Limited as well as a non-executive director of Teledata (Singapore) Limited and he also sits on the board of Singapore Dance Theatre Limited. From December 1998 to May 2003, he was the Managing Partner of Messrs J Koh & Co. He has also previously practiced at Messrs Rajah & Tann and Messrs Allen & Gledhill. Mr Ong obtained a LLB (Hons) degree from the National University of Singapore and was admitted as an Advocate and Solicitor of Singapore. He was also admitted as a Solicitor of England and Wales.

LIM HUI MIN JOHN

Independent Director

Lim Hui Min John is our Independent Director and was appointed Director on 17 February 2006. Mr Lim is also currently the Chairman of Abterra Ltd.'s Nomination Committee. He is the independent director of Abterra Ltd since 2003. Currently, he is the Development Director of VinaCapital Real Estate Ltd, a leading fund manager of foreign real estate fund in Vietnam. Prior to joining VinaCapital, he was the Business Development Director of Meinhardt (Singapore)/(Shanghai) Pte Ltd ("Meinhardt"), a renowned multi-disciplinary engineering and project development consultant. From 2001 to 2003, he was the Assistant General Manager (Regional Investment) of Keppel Land International Limited, General Manager of Keppel Land (Shanghai) Management & Consultancy Company. From 1995 to 2000, he was the Senior Manager (Business Development, Asset Management & Strategic Planning) of DBS Land China Holdings Limited and Director & General Manager of a few subsidiaries of DBS Land China Holdings in Shanghai.

WONG JOO WAN

Independent Director

Wong Joo Wan is our Independent Director and was appointed on 2 February 2007. He is Director of Tay Swee Sze Advisors Pte Ltd, an Independent Director of Teledata (Singapore) Limited and an executive director of SNF Corporation Ltd. From 2002 to 2006, he was a Director of Alvarez & Marsal (SE Asia) Pte Ltd and an Associate Director of Arthur Andersen, Global Corporate Finance Division from 1995 to 2000. Mr. Wong specialises in the area of business advisory for corporations, in particular in the area of corporate finance.

KEY MANAGEMENT

CHEN RUI

Senior Manager - Safety, Technology & Integration

Chen Rui is our Senior Manager – Safety, Technology & Integration. He is responsible for the safety and technology aspects of our Group's operations. He will also be involved in acquisitions and integration of commercial explosives companies in China. After graduating from Shandong University of Science and Technology in 1986 with a Bachelor of Science – Mining Engineering English. Chen Rui was a bulk explosives plant manager with An Tai Bao Joint Venture Coal Mine. He was later employed by Dyno Nobel from 1992 to 1998 where he was involved in developing strategic plans for China business development and also conducting feasibility studies for investment opportunities in China. Chen Rui obtained his MBA - Management with Norwegian School of Management, Fudan University in 1999.

SUN QIANG

Sales and Marketing Manager

Sun Qiang is our Sales and Marketing Manager. He has been responsible for the sales and marketing of our Group since 2003. He is currently a non-executive director of Shandong Yinsheng Investments Co., Ltd ("Yinsheng Investments"). Prior to joining our Group, he was a civil servant in Economic and Trade Committee of Fei County from 1991 to 1993 and thereafter became a section manager and was later promoted to department head in the Ministry of Labour and Social Security of Fei County from 1993 to 2003. He was also a deputy general manager of Yinguang Chemical from 2003 to 2004. Sun Qiang holds a degree in Economics and Management from the Cadre Correspondence University of Shandong and a diploma in Business Management from the Jinan University of Shandong.

YANG CHANGDE

Production Manager

Yang Changde is our Production Manager. He is responsible for the production matters, quality control and technological improvement activities of our Group. After he graduated from Huainan Mining College in 1992 with a degree in Chemical Explosive Products and Technology, he was a section manager of the Technical department in a state-owned chemical factory. He joined Yinguang Chemical as a deputy factory manager in 1997 and was promoted to deputy production manager in 1999.

KWEK WEI LEE

Finance Manager (Group Accounts)

Kwek Wei Lee is our Finance Manager (Group Accounts). He is responsible for the financial, accounting, budgeting and taxation matters of our Group and reports directly to our Managing Director. Prior to joining our Group in April 2005, he was an Audit Senior with Ernst & Young, Singapore, an international audit firm, from January 2003 to March 2005, where he was involved in the audit of public listed companies and multi-national companies. From December 2000 to December 2002, he was a Senior Audit Assistant with BDO Raffles (formerly known as BDO International), Singapore, an international audit firm. Mr Kwek obtained a Diploma with Merit in Accountancy in June 1998. He is a Member of the Association of Chartered Certified Accountants in UK and a Provisional Member of the Institute of Certified Public Accountants of Singapore.

CHEN HONGYU

Finance Manager (China Operations)

Chen Hongyu is our Finance Manager (China Operations). He is responsible for accounting and financial matters for our China operations. He has worked in our Group since 1994. From 1994 to 2004, he was the financial manager and deputy general manager of Yinguang Chemical. From 1989 to 1994, he was a section manager of the finance department in Shandong Feixian Art Co. He holds a degree in Economics and Management from the Provincial Party Committee School of Shandong.

YANG XINGDONG

Administrative Manager

As Administrative Manager, Yang Xingdong is responsible for the administrative function of our Group. He has been with Yinguang Chemical for 10 years. After graduating from the University of Shandong, he joined our Group as a deputy section manager in 1995, he then became a factory manager in 1998. He was promoted to become an assistant general manager and deputy general manager from 1999 to 2004. He is currently a non-executive director of Yinguang Chemical. He obtained a degree in chemical engineering from the University of Shandong in 1995. He was certified as an "Assistant Technical Engineer" in 1996 and "Technical Engineer" in 2001 by the Personnel Bureau of Fei County and Personnel Bureau of Linyi City respectively.

The safety of our operations is of paramount importance to us. We have a manual to guide our staff on the important safety procedures which should be adhered to in the production process. We have also established a safety department comprising about six staff who is tasked mainly with ensuring compliance with our internal safety measures. The department conducts routine monthly checks on the safety of our production procedures and constantly reviews our safety measures to ensure that they are adequate for our purposes. Our internal auditors will also conduct checks on whether all of the Group's safety measures and procedures are complied with, and such checks will be reported to the Audit Committee and disclosed in our Company's annual report every year. Please refer to section 3 of the Corporate Governance Report.

The safety aspects of our operations and products are vital to our business. The nature of the explosives industry is such that the raw materials and products are easily subject to explosions during the production process, transportation and storage. Our licenses to manufacture explosive products may be revoked by the relevant authorities in the event of any accidental explosions at our production or storage facilities, during the transportation of raw materials or during the usage of our products by the end-users. In view of the above reasons, we adopt stringent safety measures at our production facilities as well as during the transportation and storage of our products and raw materials to keep the risks of explosion to a minimum, such as, inter alia, the following measures:-

(a) We implement safety measures at our production facilities. The importance of adhering strictly to the safety measures is stressed upon all our staff on a regular basis and extensive training sessions are organised regularly to educate and train our staff in our safety measures. All our new staff are rigorously trained and briefed on our safety measures before they commence work at our production facilities. Posters on our safety measures are put up throughout our production facilities as reminders to our staff on the importance of safety during their course of work.

    In addition, we also have safety compliance officers whose main responsibilities are to formulate safety measures for our operations and to ensure that these measures are strictly adhered to by our staff. All our production processes are strictly monitored by our safety compliance officers who conduct random checks at different stages of our production process to ensure that the safety measures have been complied with. Any staff who is found to have breached any of the safety procedures will be disciplined in order to deter other staff from breaching the safety procedures.

    For safety reasons, machines such as close circuit TVs are used to monitor the production processes of explosives which are more prone to explosions such as detonating cords. The control rooms that monitor these production processes are housed in buildings that are built to withstand explosions. Where possible, the fixtures at locations close to our production activities are made of non-metallic materials to reduce the chances of sparks caused by static charges. We have also installed numerous lightning rods throughout the compound of our production facilities to prevent explosions caused by lightning. In addition, we have dedicated fire brigade teams made up of the company's employees at our production facilities ready to put out any fire caused by explosions.

(b) In addition to the above safety measures, we also comply with the safety regulations promulgated by the Commission of Science, Technology and Industry for National Defense ("Commission"), such as the Safety Norms for Designing Civil Explosives Factories and the Regulations on the Administration of Security Technology for Civil Explosives Factories. Safety regulations such as the maximum amount of explosives and number of staff permitted in a factory producing explosives are strictly adhered to in our production facilities and notices containing such information are put up at the entrance of every factory.

    In addition, to prevent "chain explosions", the distance between our factories in our production facilities are in accordance with the guidelines recommended by the Commission. Our factories are also built in such a way that in the event of any explosion, the impact of the explosion will be directed at a fortified safety wall, which will minimise the impact of the explosion to the surrounding areas. The premises of our production facilities also have safety bunkers for our staff to take shelter.

(c) The production supervisor at each stage of our production process is responsible for the strict compliance with the relevant safety measures. Our transport manager is responsible for the strict compliance of safety measures during the transportation of raw materials and our products to and from our production facilities. They are our first-line of safety compliance officers. In respect of the transportation of raw materials and our products to and from our production facilities, we employ special container trucks that have been issued permits by the relevant authorities to transport explosives or materials that are explosive in nature. These container trucks are distinguished from normal trucks by their yellowish orange colour and their prominent "Explosive" labels to alert members of the public to the potentially dangerous contents of the trucks. As an added safety measure, the trucks are also fitted with a fire prevention cap over their exhaust pipes and lined with wooden planks on the inside.

We have not experienced any explosion of any magnitude at our production facilities or during the transportation of the raw materials or our products since we commenced our operations. Our Directors believe that based on the safety measures currently undertaken by our Group, the possibility of any explosions occurring at our production facilities or during the transportation of raw materials or our products have been kept to the minimum.

In addition to our internal checks, external parties also conduct safety checks on our operations as described below:-

(a) The Linyi Safety Production Bureau conducts safety inspections at least twice every year. The Linyi Safety Production Bureau does not issue an inspection report to our Group, and Yinguang Technology did not receive any negative feedback from the Linyi Safety Production Bureau.

(b) The Commission of Science and Technology of Shandong conducts an inspection on our factory and warehouse safety procedures at least twice every year. In March 2008, the Commission of Science and Technology of Shandong performed the safety inspection and certified that the safety procedures and requirements have been met.

SECURITY MEASURES

The Group has strict security measures in place to prevent loss or theft of explosive products, some of which are briefly described below:-

(a) A team of trained security guards who are each certified and/or licensed by the local Public Security Bureau guards all of our production facilities and warehouses, oversee the transportation of goods and safeguard our raw materials and finished goods. As at the financial year ended 31 March 2008, we had a security team comprising 120 guards.

(b) Entry into our production facilities and warehouses is restricted strictly to staff and authorized personnel only.

(c) Stringent approval procedures, documentation and checks with respect to the flow of raw materials and finished products are also implemented. As testament to the effective implementation of our stringent security measures, there has not been any loss or theft of explosive raw materials or products from our facilities since we commenced our operations.

Our security procedures are inspected by external parties as described below:-

(a) The local Public Security Bureau inspects our factory and warehouse security procedures at least once every month. The local Public Security Bureau does not issue an inspection report to our Group, and Yinguang Technology did not receive any negative feedback from the local Public Security Bureau.

(b) The Commission of Science and Technology of Shandong carries out an inspection on our factory and warehouse security at least twice every year. The Commission of Science and Technology of Shandong does not issue an inspection report to our Group, and Yinguang Technology did not receive any negative feedback from the Commission of Science and Technology of Shandong.

Our internal auditors will also conduct checks on whether all of the Group's security measures and procedures are complied with, and such checks will be reported to the Audit Committee and disclosed in our Company's annual report every year. Please refer to section 3 of the Corporate Governance Report.

The Board of Directors (the "**Board**") of Fabchem China Limited recognizes the importance of good corporate governance in ensuring greater transparency, protecting the interests of the shareholders of the Company (the "**Shareholders**") as well as strengthening investors' confidence in its management and financial reporting. The Board is committed to maintaining a high standard of corporate governance within the Company and its subsidiary, Shandong Yinguang Technology Co., Ltd ("Subsidiary") (collectively the "**Group**") based on which the Group's operations, businesses and strategies are directed and controlled.

The SGX-ST Listing Manual requires that an issuer which holds its Annual General Meeting ("**AGM**") on or after 1 January 2003 (the "effective date") should describe its corporate governance practices with specific reference to the Code of Corporate Governance ("Code") in its annual report.

The main corporate governance practices that were in place throughout the financial year ended 31 March 2008 are set out below.

1. Board of Directors (the "Board")

1.1 The Board's conduct of its affairs

The primary role of the Board is to protect and enhance shareholders' value. Whereas the Board is collectively responsible for the success of the Company, the Board works with the management of the Company (the "**Management**") towards achieving this end. The Board reviews Management's performance and the Management remains accountable to the Board. Key roles of the Board include providing entrepreneurial leadership, approving the Company's objectives, major strategic directions and corporate policies, monitoring and reviewing financial and operating performance, approving annual budgets, major funding and investment proposals, risks assessment and management and appointing Board Directors and key managerial personnel. Matters which are specifically reserved for the Board's decision are those involving interested person transactions, material acquisitions and disposal of assets, corporate and financial restructuring, share issuances, dividends and other returns to shareholders.

The Board conducts regular scheduled meetings. Additional meetings may be convened when circumstance require. The Company's Articles of Association provide for meetings to be held via telephone and video conferencing. The Board is supported by the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**").

Newly appointed directors are issued with a formal letter by the Company Secretary setting out the director's duties and advising them of their disclosure obligations under the SGX-ST listing rules and the Companies Act. Management also conducts orientation programs for new directors to familiarize them with the business activities of the group, its strategic direction and corporate governance practices.

During the financial year in review, the attendance of the Directors at Board meetings and Board committee meetings, as well as the frequency of such meetings, is as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
	Fabchem Board		AC		RC		NC	
Name	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Dr Lim Seck Yeow	4	4	3	3	1	1	1	1
Sun Bowen	4	3						
Bao Hongwei	4	4						
Ong Tai Tiong Desmond	4	4	3	3	1	1	1	1
Lim Hui Min John	4	4	3	3	1	1	1	1
*Shane Gannon	4	4						
*Anthony Kutra	4	3						
Wong Joo Wan	4	4						

All the Directors are updated regularly on changes in Company policies, Board processes, corporate governance and further are encouraged to participate in seminars and discussions to keep themselves updated on the latest developments concerning the Group and to keep abreast of the latest regulatory changes.

* Mr Shane Gannon and Mr Anthony Kutra resigned from the Board on 2 June 2008 and 2 July 2008 respectively.

1.2 *Board Composition and Balance*

The NC reviews the size and composition of the Board and ensures, among other things, that the Board has an appropriate balance of independent directors and that the size of the Board is conducive to effective discussions and decision-making. The Board comprises eight directors, including two executive directors, one non-executive chairman, two non-executive directors and three independent directors. The NC reviews the independence of each director on an annual basis and adopts the Code's definition of what constitutes an independent director in its review. In particular, it considers a director as independent if he has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Company.

As a Board, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, law, business and management, strategic planning and customer service.

The non-executive directors help to develop proposals on strategy, review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. The non-executive directors also meet regularly without the presence of the Management.

1.3 Role of Chairman and Chief Executive Officer

At Fabchem China Limited there is a clear division of the roles and responsibilities of the Chairman and the Managing Director (equivalent to the position of a Chief Executive Officer). Different individuals assume the Chairman and the Managing Director functions and the posts are, and will remain, separate. Dr Lim Seck Yeow is our non-executive Chairman and assumes responsibility among others, in leading the Board to ensure its effectiveness and promoting high standards of corporate governance. The Managing Director is Sun Bowen who assumes the executive responsibilities of the day-to-day management of Fabchem China Limited. This division of responsibilities has been agreed to by the Board.

1.4 Board Membership

We believe that Board renewal must be an ongoing process, to ensure good governance and to maintain relevance to the business and changing needs of the Company. The Company's Articles of Association require at least one-third of Directors (excluding the Managing Director) to retire and subject themselves to re-election by shareholders at every AGM. In other words, no Director stays in office for more than three years without being re-elected by shareholders.

The NC comprises Ong Tai Tiong Desmond, Dr Lim Seck Yeow and Lim Hui Min John. The NC Chairman is Ong Tai Tiong Desmond. Our NC will be responsible for (a) the selection and appointment of new Directors and re-nomination of our Directors having regard to the Director's contribution and performance, (b) determining annually whether or not a Director is independent and (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.

In recommending new directors to the Board, the NC takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability. Further, the NC takes into consideration a variety of factors such as attendance, preparedness, participation and candor in evaluating a director's contribution and performance for the purpose of re-nomination.

The NC determines annually if a director is independent. The NC has the discretion to determine that a director is non-independent even if he does not fall under the circumstances set forth in paragraph 1.2 above and the Code. The NC is also charged with the responsibility of deciding whether a director, particularly when he has multiple board representations, is able to carry out his duties as a director of the Company.

1.5 Board Performance

The Board will on an annual basis implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board.

The performance criteria for the Board evaluation are based on financial and non-financial indicators such as an evaluation of size and composition of the Board, the Board's access to information, Board processes, strategy and planning, risk management, accountability, Board performance in relation to discharging its principal functions, communication with senior management, standards of conduct of the directors and the Company's share performance over a five-year period.

In terms of evaluation of individual directors, they are assessed on their ability to contribute effectively as well as the level of their commitment to the role (including commitment of time for board and committee meetings, and any other duties).

The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seeks the resignation of directors, in consultation with the NC. Each member of the NC shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the NC in respect of an assessment of his performance or re-nomination as director.

1.6 Access to Information

The Board is supplied with relevant information and comprehensive analysis by Management pertaining to matters to be brought before the Board for discussion and decision. Management also ensures that the Board receive regular reports on the Group's financial performance and operations. The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary attends to all corporate secretarial and compliance matters and also attends all Board meetings. To assist Board members in fulfilling their responsibilities, procedures have been put in place for directors to seek independent professional advice, where appropriate, at the expense of the Company.

2. Remuneration Matters

2.1 Procedures for Developing Remuneration Policies

The RC comprises Ong Tai Tiong Desmond, Dr Lim Seck Yeow and Lim Hui Min John. The chairman of the RC is Ong Tai Tiong Desmond. The independent directors on the RC are Ong Tai Tiong Desmond and Lim Hui Min John. Our RC will be responsible for recommending to our Board a framework of remuneration for the Directors and key executives, setting up remuneration policies and determining specific remuneration packages for each Director and key executive based on their performance and also reviewing the remuneration thereof. The RC has access to expert professional advice on human resource matters whenever there is a need for external consultation. In its deliberations, the RC takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry and the performance of the individual directors. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes and benefits in kind shall be considered by our RC.

The RC meets at least once every financial year. Each member of the RC will abstain from voting on any resolution and making recommendation and/or participating in any deliberation of the RC in respect of his remuneration package.

2.2 Level and Mix of Remuneration

In its deliberations, the RC will take into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and the performance of the individual Directors. No Director will be involved in deciding his own remuneration.

The level of remuneration is structured such that consideration is given to each Director's corporate and individual performance. The RC ensures that the level of remuneration is appropriate to attract, retain and motivate the Directors to run the Company successfully. The performance related elements of remuneration are designed so as to align the interests of executive directors with those of shareholders. These elements include (1) fixed component (i.e. basic salary); (2) variable component (i.e. performance bonus); (3) benefits provided are consistent with market practices including medical benefits, car allowance, club benefits and housing subsidy. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies.

The remuneration of non-executive directors is linked to their level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors.

The Company has entered into separate service contracts with our Executive Directors for an initial period of 3 years. The RC reviews the compensation commitments for early termination under the service contracts.

2.3 Disclosure on Remuneration

Remuneration of Directors

The Executive Directors' remuneration comprise mainly of their salary, allowances, bonuses and profit sharing awards conditional upon their meeting certain profit before tax targets. The details of their remuneration package are given below.

Our Independent Non-Executive Directors have remuneration packages which comprise a Directors' fee component. The Directors' fees are based on a scale of fees divided into basic retainer fees as a Director and additional fees for serving on Board committees and their roles in the committee. Directors' fees for our Directors are subject to the approval of shareholders at the forthcoming AGM.

For competitive reasons, the Company is not disclosing the annual remuneration of each individual Director for the financial year ended 31 March 2008. Instead, we are disclosing the bands of remuneration as follows:-

Name of Director	S$0 to S$250,000	S$250,001 to S$500,000	Directors' Fees*	Percentage of Variable Remuneration	Percentage of Fixed Remuneration (including Directors' fees)
Dr Lim Seck Yeow	✓	–	100%	0%	100%
Sun Bowen	–	✓	–	25.1%	74.9%
Bao Hongwei	✓	–	–	24.4%	75.6%
Shane Gannon	✓	–	100%	0%	100%
Anthony Kutra	✓	–	100%	0%	100%
Ong Tai Tiong Desmond	✓	–	100%	0%	100%
Lim Hui Min John	✓	–	100%	0%	100%
Wong Joo Wan	✓	–	100%	0%	100%

*The remuneration in the form of Directors' fees is subject to the approval of the shareholders at the forthcoming AGM.

Remuneration of Key Employees

Details of remuneration paid to the top five executives (who are not Directors of the Company) of the Group for the financial year ended 31 March 2008 are set out below. For competitive reasons, the Company is only disclosing the band of remuneration for each executive for the financial year ended 31March 2008 under review as follows:-

Name of Key Executive	S$0 to S$250,000	Percentage of Variable Remuneration	Percentage of Fixed Remuneration
Sun Qiang[(1)]	√	–	100%
Yang Xingdong	√	–	100%
Kwek Wei Lee	√	13.8%	86.2%
Chen Hongyu	√	–	100%
Yang Changde	√	–	100%

Note: (1) Sun Qiang is the son of our Managing Director. Apart from him, no employee of the Company and its subsidiary has an immediate family member of a director and whose remuneration exceeded S$150,000 during the financial year ended 31 March 2008.

3. Accountability and Audit

3.1 Accountability

The Board has overall responsibility to provide a balance and understandable assessment of the Company's performance, position and prospects in respect of the Company's reports and financial statements and other price sensitive information to regulators and shareholders.

The Management provides all members of the Board with management accounts on a monthly basis.

3.2 Audit Committee

The Executive Directors will continue to manage the operations of the Company and the Subsidiary(ies), and the AC will provide the necessary checks and balances as set out below. The AC comprises Lim Hui Min John, Ong Tai Tiong Desmond and Dr Lim Seck Yeow. The chairman of the AC is Lim Hui Min John.

The AC will provide a channel of communication between the Board, the management and the external auditors on matters relating to audit. The responsibilities of the Audit Committee include:

(a) review with the external auditors and where applicable, the internal auditors, their audit plans, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review the half-yearly and annual financial statements and balance sheet and profit and loss accounts before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(c) ensure co-ordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(e) review the internal auditors' report on their checks on whether all of the Group's safety and security measures and procedures have been complied with, and disclose the results of such checks in the Company's annual report every year;

(f) make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;

(g) review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

(h) review potential conflicts of interest, if any;

(i) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

(j) generally undertake such other functions and duties as may be required by the legislation regulations or the Listing Manual, or by such amendments as may be made thereto from time to time;

(k) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors, review the nature and extent of non-audit services, where applicable;

(l) review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the financial performance;

(m) review the effectiveness of the internal audit function;

(n) review arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and

(o) review the adequacy of our internal financial controls, operational and compliance controls, and risk management policies and systems established by the management.

Apart from the responsibilities listed above, the AC has explicit authority to investigate any matters within its terms of reference and has full access to and cooperation from management, in addition to its direct access to the external auditors. If required, the AC has authority to seek external resources to enable it to discharge its functions properly, including obtaining legal or other professional advice and services.

The AC has also reviewed the annual financial statements of the Company and the Group for the financial year ended 31 March 2008 as well as the auditors' reports thereon. Interested person transactions of the Group in the said financial year have also been reviewed by the AC.

The AC has reviewed with management all the non-audit services provided by the external auditors to the Company and the Group in the financial ended 31 March 2008. The AC is of the opinion that the independence and objectivity of the external auditors would not be impaired by the provision of these non-audit services.

Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matters in which he is or may be interested in.

3.3 *Internal Controls*

The AC reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management (collectively "internal controls"). The AC further confirms that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's internal controls and confirmed they are adequate.

3.4 *Internal Audit*

The Company has set up an Internal Audit ("IA") to provide internal audit services to our Company. The IA's function is to report to the AC on audit matters and oversee and institute the function of internal audits, prepare timely reports and communications to the various committees, and administrative and operational matters to the Board. The IA will also conduct checks on whether all of our Company's safety and security measures and procedures are complied with and will issue reports to the AC. These safety and security measures are disclosed in the section entitled "Safety and Security Compliance" of this Annual Report.

3.5 *Whistle-blowing Policy*

The Company has in place whistle-blowing policies and arrangements by which the staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports are to be sent to the head of the internal audit function. The Chairman of the AC and the Chairman of the Board will be informed immediately of all whistle-blowing reports received.

4. Communication with Shareholders

4.1 *Communication with Shareholders*

Fabchem China Limited believes in engaging in regular, effective and fair communication with shareholders and is committed to conveying pertinent information to shareholders on a timely basis. The Company takes care to ensure that information that is made publicly available on a timely basis. Disclosure of information is made through announcements to the SGX-ST, the Company's annual reports, circulars for Extraordinary General Meetings, press releases, as well as on the corporate website (www.fabchemchina.com) which has a dedicated investor relations section.

4.2 Greater Shareholder Participation

Fabchem China Limited believes in encouraging shareholder participation at general meetings. The Company's Articles of Association allow a shareholder entitled to attend and vote to appoint not more than two proxies who need not be shareholders of the Company to attend and vote at meetings. Separate resolutions are proposed on each substantially separate issue at general meetings.

The chairpersons of the Board Committees are present and available to address questions at general meetings. The external auditors are also present to address shareholders' queries relating to the conduct of audits and the preparation and contents of the auditors' reports.

5. Dealings in Securities

The Group has adopted an internal code in relation to dealings in the Company's securities pursuant to rule 1207 (18) of the SGX-ST Listing Manual that is applicable to the Company and all its officers.

The internal code prohibits the officers from dealing in the Company's shares on short-term considerations. The Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month prior to the announcement of the Company's half yearly and yearly results; and ending on the date of the announcement of the relevant results.

Directors and Executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

6. Risk Management

The Company does not have a Risk Management Committee. However, the Management and the Internal Auditor regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

7. Material Contracts

Save as disclosed in the Interested Person Transactions section, there are no material contracts entered into by the Company or its subsidiaries involving the interest, direct or deemed, of the Managing Director or any Director or controlling shareholders (as defined in the SGX-ST Listing Manual), during the financial year ended 31 March 2008.

8. Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are carried out at arms' length and on normal commercial terms and will not be prejudicial to the interests of the Company, its subsidiary and its minority shareholders. The AC will review and approve all interested person transactions as defined by the SGX-ST Listing Manual.

During the financial year ended 31 March 2008, the following Interested Person Transactions were entered into by the Group:

		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)	
Name of interested person	Nature	Actual FY2008 RMB'000	Actual FY2007 RMB'000	Actual FY2008 RMB'000	Actual FY2007 RMB'000
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, office and wharehouses	3,000	3,000	–	–
Feixian Yinguang Substances Development Co., Ltd	Purchase of packaging materials	–	4,227	–	–
Feixian Yinguang Transport Co., Ltd	Payment of transportation charges	2,316	2,369	–	–
Feixian Yinguang Magnesium Co., Ltd	Purchase of magnesium materials	4,737	537	–	–
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	839	768	–	–

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

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

Aoxin is an import and export trading company. It is also one of the few export companies in the PRC with the relevant licence to export commercial explosives. Shandong Yinsheng Investments Co., Ltd ("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.

Nature	Actual FY2008 RMB'000	Actual FY2007 RMB'000
Sales of commercial explosives to Aoxin	27,212	36,124
Sales of commercial explosives to our overseas customers through Aoxin	40,794	28,548

FINANCIAL CONTENTS

The directors of the Company are pleased to present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2008.

1. Directors at Date of Report

The directors of the Company in office at the date of this report are:

Dr Lim Seck Yeow
Sun Bowen
Bao Hongwei
Shane Gannon
Anthony Kutra
Ong Tai Tiong Desmond
Lim Hui Min John
Wong Joo Wan
Timothy James Fry (Appointed on 7 April 2008)
(Alternate to Shane Gannon)

2. Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3. Directors' Interests In Shares and Debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital of the Company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Cap 50 except as follows :

Name of directors and company in which interest are held	At beginning of year	Deemed Interest At end of year	At 21 April 2008
The Company	Ordinary shares with no par value		
Dr Lim Seck Yeow	22,334,000	22,334,000	22,334,000
Sun Bowen	75,700,000	75,700,000	75,700,000
Bao Hongwei	7,000,000	7,000,000	8,294,000

By virtue of section 7 of the Singapore Companies Act, Cap 50, Mr Sun Bowen with shareholdings is deemed to have an interest in all the related corporations of the Company.

4. Contractual Benefits of Directors

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap 50, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. Options to Take Up Unissued Shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

6. Options Exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

7. Unissued Shares Under Option

At the end of the financial year, there were no unissued shares under option.

8. Audit Committee

The members of the audit committee at the date of this report are as follows:

Lim Hui Min John (Chairman of audit committee and Independent Director)
Dr Lim Seck Yeow (Non-executive Chairman)
Ong Tai Tiong Desmond (Independent Director)

The audit committee performs the functions specified by section 201B(5) of the Companies Act. Among others, it performed the following functions:

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the Company's internal accounting controls, and their report on the financial statements and the assistance given by the Company's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

8. Audit Committee (Cont'd)

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report and it includes an explanation of how auditor objectivity and independence is safeguarded when the auditors provide non-audit services.

The audit committee has recommended to the board of Directors that the auditors, RSM Chio Lim, be nominated for re-appointment as auditors at the next annual general meeting of the Company.

9. Independent Auditors

The independent auditors, RSM Chio Lim, have expressed their willingness to accept re-appointment.

10. Subsequent Developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 26 May 2008, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On Behalf of the Directors

....

Sun Bowen
Director

....

Bao Hongwei
Director

30 May 2008

STATEMENT OF THE DIRECTORS

In the opinion of the directors, the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 March 2008 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On Behalf of the Directors

....

Sun Bowen
Director

....

Bao Hongwei
Director

30 May 2008

INDEPENDENT AUDITORS' REPORT

to the Members of Fabchem China Limited

We have audited the accompanying financial statements of Fabchem China Limited and its subsidiary (the Group), which comprise the balance sheets of the Group and the Company as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement of the Group, and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and the results, changes in equity and cash flows of the Group, and statement of changes in equity of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim
Public Accountants and
Certified Public Accountants

Singapore
30 May 2008

Partner-in-charge of audit: Ng Thiam Soon
Effective from year ended 31 March 2005

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 MARCH 2008

	Notes	Group 2008 RMB'000	Group 2007 RMB'000
Revenue	5	239,447	181,391
Cost of Sales		(135,367)	(109,825)
Gross Profit		104,080	71,566
Other Items of Income			
Interest Income	6	264	217
Other Credits	7	99	4
Other Items of Expense			
Distribution Costs		(8,578)	(8,792)
Administrative Expenses		(22,955)	(17,441)
Finance Costs	6	(92)	(29)
Other Charges	7	(260)	(98)
Profit Before Tax From Continuing Operations		72,558	45,427
Income Tax Expense	9	(12,250)	(3,221)
Profit from Continuing Operations, Net of Tax		60,308	42,206
		RMB Cents	**RMB Cents**
Earnings Per Share from Continuing Operations			
- Basic	10	25.77	18.24
- Diluted	10	25.77	18.24
Dividends Paid Per Equity Share	11	2.63	–

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 MARCH 2008

	Notes	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
ASSETS					
Non-Current Assets					
Plant and Equipment	13	46,624	22,205	481	702
Investment in Subsidiary	14	–	–	114,682	115,030
Total Non-Current Assets		46,624	22,205	115,163	115,732
Current Assets					
Inventories	15	22,835	12,238	–	–
Trade and Other Receivables	16	138,170	91,505	4,553	–
Other Assets	17	8,927	1,802	525	84
Cash and Cash Equivalents	18	108,928	129,008	528	396
Total Current Assets		278,860	234,553	5,606	480
Total Assets		325,484	256,758	120,769	116,212
EQUITY AND LIABILITIES					
Equity					
Share Capital	19	116,849	116,849	116,849	116,849
Retained Earnings / (Accumulated Losses)		133,529	88,031	(4,000)	(6,818)
Other Reserves	20	24,100	15,582	2,114	2,599
Total Equity		274,478	220,462	114,963	112,630
Non-Current Liabilities					
Other Financial Liabilities	21	331	403	331	403
Total Non-Current Liabilities		331	403	331	403
Current Liabilities					
Income Tax Payable		5,455	3,221	–	–
Trade and Other Payables	22	43,618	32,483	5,405	3,112
Other Financial Liabilities	21	70	67	70	67
Other Liabilities	23	1,532	122	–	–
Total Current Liabilities		50,675	35,893	5,475	3,179
Total Liabilities		51,006	36,296	5,806	3,582
Total Equity and Liabilities		325,484	256,758	120,769	116,212

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2008

Group	Share Capital RMB'000	Statutory Reserves RMB'000	Foreign Exchange Translation Reserve RMB'000	Retained Earnings RMB'000	Total RMB'000
Current Year:					
Opening Balance at 1 April 2007	116,849	14,870	712	88,031	220,462
Items of Income and Expense Recognised Directly in Equity:					
Foreign Currency Translation Difference Not Recognised In Income Statement	–	–	(138)	–	(138)
Net Income Recognised Directly in Equity	–	–	(138)	–	(138)
Profit for the Year	–	–	–	60,308	60,308
Appropriation for the Year	–	8,656	–	(8,656)	–
Total Recognised Income and Expense for the Year	–	8,656	(138)	51,652	60,170
Other Movements in Equity:					
Dividends Paid (Note 11)	–	–	–	(6,154)	(6,154)
Total Other Movements in Equity	–	–	–	(6,154)	(6,154)
Closing balance at 31 March 2008	116,849	23,526	574	133,529	274,478
Previous Year:					
Opening Balance at 1 April 2006	34,687	10,206	77	50,489	95,459
Items of Income and Expense Recognised Directly in Equity:					
Foreign Currency Translation Difference Not Recognised In Income Statement	–	–	635	–	635
Net Income Recognised Directly in Equity	–	–	635	–	635
Profit for the Year	–	–	–	42,206	42,206
Appropriation for the Year	–	4,664	–	(4,664)	–
Total Recognised Income and Expense for the Year	–	4,664	635	37,542	42,841
Other Movements in Equity:					
Issue of Shares Capital	94,247	–	–	–	94,247
Share Issue Expenses	(12,085)	–	–	–	(12,085)
Total Other Movements in Equity	82,162	–	–	–	82,162
Closing balance at 31 March 2007	116,849	14,870	712	88,031	220,462

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2008

Company	Share Capital RMB'000	Foreign Exchange Translation Reserve RMB'000	Accumulated Losses RMB'000	Total RMB'000
Current Year:				
Opening Balance at 1 April 2007	116,849	2,599	(6,818)	112,630
Items of Income and Expense Recognised Directly in Equity:				
Foreign Currency Translation Difference Not Recognised In Income Statement	–	(485)	–	(485)
Net Income Recognised Directly in Equity	–	(485)	–	(485)
Profit for the Year	–	–	8,972	8,972
Total Recognised Income and Expenses for the Year	–	(485)	8,972	8,487
Other Movements in Equity:				
Dividends Paid (Note 11)	–	–	(6,154)	(6,154)
Total Other Movements in Equity	–	–	(6,154)	(6,154)
Closing balance at 31 March 2008	116,849	2,114	(4,000)	114,963
Previous Year:				
Opening Balance at 1 April 2006	34,687	77	(645)	34,119
Items of Income and Expense Recognised Directly in Equity:				
Foreign Currency Translation Difference Not Recognised In Income Statement	–	2,522	–	2,522
Net Income Recognised Directly in Equity	–	2,522	–	2,522
Profit for the Year	–	–	(6,173)	(6,173)
Total Recognised Income and Expense for the Year	–	2,522	(6,173)	(3,651)
Other Movements in Equity:				
Issue of Shares Capital	94,247	–	–	94,247
Share Issue Expenses	(12,085)	–	–	(12,085)
Total Other Movements in Equity	82,162	–	–	82,162
Closing Balance at 31 March 2007	116,849	2,599	(6,818)	112,630

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2008

	2008 RMB'000	2007 RMB'000
Cash flows from operating activities		
Profit Before Tax	72,558	45,427
Depreciation of Plant and Equipment	3,235	2,210
Gain on Disposal of Plant and Equipment	(1)	–
Plant and Equipment Written Off	–	98
Interest Expense	92	29
Interest Income	(264)	(217)
Operating Cash Flows before Changes in Working Capital	75,620	47,547
Inventories	(10,597)	(1,285)
Trade and Other Receivables	(46,665)	(9,064)
Other Assets	(7,125)	(658)
Trade and Other Payables	11,135	(10,105)
Other Liabilities	1,410	(529)
Net Cash Flows from Operations Before Interest and Tax	23,778	25,906
Income Taxes Paid	(10,016)	–
Net Cash Flows From Operating Activities	13,762	25,906
Cash Flows From Investing Activities		
Proceeds from Sales of Plant and Equipment	13	–
Purchase of Plant and Equipment	(27,670)	(18,237)
Interest Received	264	217
Net Cash Flows Used in Investing Activities	(27,393)	(18,020)
Cash Flows From Financing Activities		
Dividends Paid	(6,154)	–
Proceeds from Issue of Shares, Net of Expenses	–	82,162
Decrease in Other Finance Liabilities	(69)	(114)
Interest Paid	(92)	(29)
Net Cash Flows (Used in) From Financing Activities	(6,315)	82,019
Net Effect of Exchange Rate Changes in Consolidation Subsidiary	(134)	638
Net (Decrease) Increase in Cash and Cash Equivalent	(20,080)	90,543
Cash and Cash Equivalent, Cash Flow Statement, Beginning Balance	129,008	38,465
Cash and Cash Equivalents, Cash Flow Statement, Ending Balance (Note 18)	108,928	129,008

The accompanying notes form an integral part of these financial statements.

1. General

The Company is incorporated and domiciled in the Republic of Singapore and has its registered office at 50 Raffles Place #29-00, Singapore Land Tower, Singapore 048623.

The financial statements are presented in Chinese Renminbi ("RMB") and they cover the parent and the group entities. The Company's financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no income statement is presented for the Company. The financial statements were approved and authorised for issue by the board of Directors on 30 May 2008.

The Company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiary are described in Note 14 below.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") as issued by the Singapore Accounting Standards Council as well as all related Interpretations to FRS ("INT FRS") and the Companies Act, Cap 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Basis of presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the balance sheet date each year of the company and all of its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal.

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

2 Summary of Significant Accounting Policies (Cont'd)

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the entity and it is shown net of sales related taxes, estimated returns, discounts and volume rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Interest is recognised using the effective interest method. Dividends on equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund. This includes the government managed retirement benefit plan such as the Central Provident Fund in Singapore. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Tax and deferred tax are recognised in the income statement except that when they relate to items that initially bypass the income statement and are taken to equity, in which case they are similarly taken to equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries and associates because (a) the company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax amount is not recognised if it arises from goodwill for which amortisation is not deductible for tax purposes.

2 Summary of Significant Accounting Policies (Cont'd)

Foreign Currency Transactions

The functional currency of the Company is Singapore dollars ("S$") as it reflects the primary economic environment in which the Company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement except when deferred in equity as qualifying cash flow hedges. The presentation is in Chinese Renminbi ("RMB") as it reflects the primary economy environment where the group operates.

For the RMB financial statements assets and liabilities are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of shareholders' equity. The translation of S$ amounts into RMB amounts for the year ended is included solely for the convenience of readers and has been made at the rate of RMB 5.0875 to S$ 1.00 (2007: RMB 5.1029 to S$1.00) the approximate rate of exchange at the end of the year. Such translation should not be construed as a representation that the RMB amounts could be converted into S$ at the above rate or other rate.

Translation of Financial Statements of Foreign Entities

The subsidiary determines the appropriate functional currency as it reflects the primary economic environment in which the entity operate. In translating the financial statements of a foreign entity for incorporation in the combined financial statements the assets and liabilities denominated in currencies other than the functional currency of the group are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and Equipment – 4.8% to 33.3%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

2 Summary of Significant Accounting Policies (Cont'd)

Plant and Equipment (Cont'd)

Cost also includes acquisition cost, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement when they are incurred.

Leased Assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the Company's own separate financial statements, the investments in subsidiaries are stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

Impairment of Non-Financial Assets

The carrying amount of such assets (other than (i) intangible assets not yet available for use, (ii) goodwill and other indefinite life intangible assets) is reviewed at each reporting date for indications of impairment and where impairment is found, the asset is written down through the income statement to its estimated recoverable amount. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use.

2 Summary of Significant Accounting Policies (Cont'd)

Impairment of Non-Financial Assets (Cont'd)

The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial Assets

Initial recognition and measurement:

A financial asset is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through income statement includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

#1. Financial assets at fair value through profit and loss: As at year end date there were no financial assets classified in this category.

#2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not be classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement. The trade and other receivables are classified in this category.

#3. Held-to-maturity financial assets: As at year end date there were no financial assets classified in this category.

#4. Available for sale financial assets: As at year end date there were no financial assets classified in this category.

2 Summary of Significant Accounting Policies (Cont'd)

Financial Assets (Cont'd)

Derecognition of financial assets:

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Cash and cash equivalents:

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the cash flow statement the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Hedging:

The company is exposed to currency and interest rate risks. There is no arrangement to reduce currency exposures through derivatives and other hedging instruments.

Financial Liabilities

Initial recognition and measurement:

A financial liability is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through income statement includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit and loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

#1. Liabilities at fair value through profit and loss: As at year end date there were no financial liabilities classified in this category.

#2. Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowing are classified in this category. Items classified within trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

2 Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments

The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of non-current financial instruments are not disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The maximum exposure to credit risk is the fair value of the financial instruments at the balance sheet date. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal) and, for an asset to be acquired or liability held, the asking price. If there is no market, or the markets available are not active, the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of similar instruments and incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. As far as unquoted equity instruments are concerned, in cases where it is not possible to reliably measure the fair value, such instruments are carried at cost less accumulated allowance for impairment.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. The shares have no par value. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when paid.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the income statement in the period they occur.

2 Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Allowances for Doubtful Accounts:

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

3. Related Party Transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

3.1 Related company:

Related companies in these financial statements include the members of the Company's group of companies.

There are transactions and arrangements between the Company and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the cost of borrowing less the interest rate if any provided in the agreement for the balance.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3. Related Party Transactions (Cont'd)

3.2 Other related parties:

There are transactions and arrangements between the company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Significant other related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following: -

	Group Other related parties	
	2008 RMB'000	2007 RMB'000
Sales of goods (*)	68,006	64,672
Rental expenses	3,280	3,253
Purchase of goods	5,747	5,650
Freight charges	2,316	2,369
Purchase of property, plant and equipment	482	–
(*) Included in these amounts are export sales to overseas customers through a related party:	40,794	28,548

3.3 Key management compensation:

	Group	
	2008 RMB'000	2007 RMB'000
Salaries and other short-term employee benefits	6,255	3,806

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	Group	
	2008 RMB'000	2007 RMB'000
Directors' remuneration of directors of subsidiary company	3,494	2,280
Directors' fee of directors of the Company	1,514	1,006

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

3. Related Party Transactions (Cont'd)

3.4. Other receivables from and other payables to related parties

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Directors		Other related parties	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Group				
Other receivables/(other payables):				
Balance at beginning of year	(135)	(1,600)	(1)	(1,557)
Amounts paid out during the year	3,379	2,245	84	1,612
Amounts received and charges during the year	(3,415)	(780)	(199)	(56)
Net balance at end of year (Note 22)	(171)	(135)	(116)	(1)

The transactions in the directors accounts related to accrued and repayment of payroll costs of the directors. The year end balance represent accrued salaries remain unpaid to its directors.

4. Financial Information by Segments

The primary reporting format is by business segment and the second reporting format is by geographical area.

Primary analysis by business segment

For management purposes the Company is organised into four major operating segments: explosives devices, industrial fuse and initiating explosives devices, industrial detonators and others. Such structural organisation is determined by the nature of risks and returns associated to each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the Company reports its primary segment information.

The segments are as follows:

(i) The explosives devices segment is a manufacturer of boosters and tube charges that are used to enhance the power of the explosions.

(ii) The industrial fuse and initiating explosives devices segment is a manufacturer of detonating cords and nonel tubes.

(iii) The industrial detonators segment is a manufacturer of nonel detonators which are used in methane-free and mine-dust-free explosion projects, detonation projects in the mining industry, the excavation of alleys and tunnels, controlled explosions and underwater demolitions.

(iv) Other segment is manufacturer of explosives devices other than segments mentioned above.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are based on arms length prices.

4. Statement of Operations by Segment (Cont'd)

Segment information about these businesses is presented below: -

31 March 2008	Explosives devices RMB'000	Industrial fuse and initiating devices RMB'000	Industrial detonators RMB'000	Others RMB'000	Total RMB'000
Revenue	108,558	75,970	54,331	588	239,447
Segmental results	34,530	40,152	23,861	342	98,885
Interest income					264
Finance costs					(92)
Unallocated corporate expenses					(26,499)
Profit before taxation					72,558
Income tax expenses					(12,250)
Net profit attributable to shareholders					60,308
Other information:					
Segmental assets	20,809	5,270	23,993	–	50,072
Unallocated corporate assets					275,412
Total assets					325,484
Segmental liabilities	618	440	740	–	1,798
Unallocated segmental liabilities					49,208
Total liabilities					51,006
Capital expenditure	6,598	304	19,247	–	26,149
Unallocated capital expenditure					1,521
Total capital expenditure					27,670
Depreciation	1,043	321	327	–	1,691
Unallocated depreciation					1,544
Total depreciation					3,235
Unallocated non-cash expenses other than depreciation	–	–	–	–	260

4. Statement of Operations by Segment (Cont'd)

Business segments

31 March 2007	Explosives devices RMB'000	Industrial fuse and initiating devices RMB'000	Industrial detonators RMB'000	Others RMB'000	Total RMB'000
Revenue	90,188	68,669	21,674	860	181,391
Segmental results	21,807	36,759	6,549	180	65,295
Interest income					217
Finance costs					(29)
Unallocated corporate expenses					(20,056)
Profit before taxation					45,427
Income tax expenses					(3,221)
Net profit attributable to shareholders					42,206
Other information:					
Segmental assets	14,035	3,993	6,599	–	24,627
Unallocated corporate assets					232,131
Total assets					256,758
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

4. Statement of Operations by Segment (Cont'd)

The following table analyses assets and liabilities not allocated to business segments because they are not directly attributable to the segment or cannot be allocated to the segment on a reasonable basis:

	2008 RMB'000	2007 RMB'000
Assets		
Plant and Equipment	4,028	4,135
Inventories	15,517	6,034
Trade and Other Receivables	138,170	91,505
Other Assets	8,769	1,448
Cash and Cash Equivalents	108,928	129,008
	275,412	232,131
Liabilities		
Income Tax Payable	5,455	3,221
Trade and Other Payables	41,820	31,225
Other Liabilities	1,532	122
Other Financial Liabilities	401	470
Net balance at 31 March	49,208	35,038

Geographical segments

The following table provides an analysis of the Group revenue by geographical market which is analysed based on the location of the customers and assets:-

31 March 2008	Revenue RMB'000	Segment Assets RMB'000	Capital Expenditure RMB'000
Within PRC	151,781	323,950	27,657
Outside PRC:			
Sales through export distributors	33,378	–	–
Australia	27,604	–	–
South Africa	19,135	–	–
Singapore	–	1,534	13
Others (*)	7,549	–	–
Sub-total	87,666	1,534	13
	239,447	325,484	27,670

4. Statement of Operations By Segment (Cont'd)

31 March 2007	Revenue RMB'000	Segment Assets RMB'000	Capital Expenditure RMB'000
Within PRC	109,858	255,576	17,744
Outside PRC:			
Sales through export distributors	38,624	–	–
Australia	23,742	–	–
South Africa	4,362	–	–
Singapore	–	1,182	1,077
Others (*)	4,805	–	–
Subtotal	71,533	1,182	1,077
	181,391	256,758	18,821

(*) Others include Kyrgyzstan and Mongolia.

5. Revenue

	Group	
	2008 RMB'000	2007 RMB'000
Sale of goods	239,447	181,391

6. Interest Income and (Finance Costs)

	Group	
	2008 RMB'000	2007 RMB'000
Interest income	264	217
Bank interest expense	(68)	(4)
Finance lease interest expense	(24)	(25)
	172	188
Presented in the income statement as:		
Interest income	264	217
Finance costs	(92)	(29)
	172	188

7. Other Credits and Other (Charges)

	Group 2008 RMB'000	Group 2007 RMB'000
Foreign exchange adjustment gain	98	4
Gain on disposal of plant and equipment	1	–
Plant and equipment written off	–	(98)
Inventories written off	(260)	–
	(161)	(94)
Presented in the income statement as:		
Other credits	99	4
Other charges	(260)	(98)
	(161)	(94)

8. Employee Benefit Expense

	Group 2008 RMB'000	Group 2007 RMB'000
Employee benefits expense	19,249	14,243
Directors' fees	1,514	1,006
Contributions to defined contribution plans	2,658	1,531
Total employee benefits expense	23,421	16,780

9. Income Tax

	Group 2008 RMB'000	Group 2007 RMB'000
Current tax expense	12,250	3,221

9. Income Tax (Cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 18% (2007: 18%) to profit before income tax as a result of the following differences:

	Group	
	2008 RMB'000	2007 RMB'000
Tax rate reconciliation:		
Profit before tax	72,558	45,427
Income tax expense at statutory rate	13,060	8,177
Not deductible items	2,552	1,475
Effect of different tax rate in foreign country	9,916	8,040
Tax exemptions	(13,278)	(14,471)
Total income tax expense	12,250	3,221
Effective tax rate	16.9%	7.1%

Under the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws, foreign investment enterprises are subject to the statutory income tax rate of 33% (30% state income tax plus 3% local income tax) before 31 December 2007, unless the enterprises are located in specially designated regions or cities in which more favourable tax rates will apply. The subsidiary of the Group is located in a region where the tax rate of 33% applies. With effect from 1 January 2008, the statutory income tax rate of 33% has been reduced to 25%.

The subsidiary is entitled to income tax exemption for the two years commencing from the first profitable year (after deducting losses carried forward) and a 50% reduction for the succeeding three years. From January 2007 until December 2009, the subsidiary is subject to tax at half the prevailing state income tax rate but would still be fully exempted from the local income tax.

There are no income tax consequences of dividends to shareholders of the Company.

10. Earning Per Share from Continuing Operations

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2008	2007
The calculation of earnings per share is as follows:		
Net profit for the year attributable to members of the Company (RMB'000)	60,308	42,206
Weighted average number of ordinary shares on issue for basic earnings per share ('000)	234,000	231,414

The Company and Group do not have any discontinued operations.

There is no dilution of earnings per share as there are no shares under options. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

11. Dividends on Equity Shares

	Group and Company	
	2008 RMB'000	2007 RMB'000
Final tax exempt (1-tier) dividend paid of 2.63 RMB cents (2007: Nil) per share (equivalent to 0.5302 Singapore cents)	6,154	–

12. Items in the Income Statement

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2008 RMB'000	2007 RMB'000
Non-audit fees paid to the statutory auditors of the subsidiary included under administrative expenses	25	33

13. Plant and Equipment

Group	Plant and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:			
At 1 April 2006	6,884	41	6,925
Additions	16,841	1,980	18,821
Reclassification	103	(103)	–
Disposals	(138)	–	(138)
At 31 March 2007	23,690	1,918	25,608
Additions	3,108	24,562	27,670
Reclassification	135	(135)	–
Disposals	(13)	–	(13)
Foreign exchange adjustments	(2)	–	(2)
At 31 March 2008	26,918	26,345	53,263
Accumulated depreciation:			
At 1 April 2006	1,230	–	1,230
Depreciation for the year	2,210	–	2,210
Disposals	(40)	–	(40)
Foreign exchange adjustments	3	–	3
At 31 March 2007	3,403	–	3,403
Depreciation for the year	3,235	–	3,235
Disposals	(1)	–	(1)
Foreign exchange adjustments	2	–	2
At end of year 31 March 2008	6,639	–	6,639
Net book value:			
At 1 April 2006	5,654	41	5,695
At 31 March 2007	20,287	1,918	22,205
At 31 March 2008	20,279	26,345	46,624

13. Plant And Equipment (Cont'd)

Company	Plant and equipment RMB'000
Cost:	
At 1 April 2006	18
Additions	1,077
At 31 March 2007	1,095
Additions	13
Foreign exchange adjustments	(2)
At 31 March 2008	1,106
Accumulated depreciation:	
At 1 April 2006	6
Depreciation for the year	384
Foreign exchange adjustments	3
At 31 March 2007	393
Depreciation for the year	230
Foreign exchange adjustments	2
At end of year 31 March 2008	625
Net book value:	
At 1 April 2006	12
At 31 March 2007	702
At 31 March 2008	481

i) The net book value of the equipment held under finance lease as at 31 March 2008 amounted to approximately RMB 466,000 (2007: RMB 525,000) for both the Group and Company.

ii) Assets under construction represent cost incurred for the construction of a production facility. No interest is capitalised.

iii) The depreciation expense is charged as follows:

	Cost of sales RMB'000	Distribution costs RMB'000	Administrative expenses RMB'000	Provision for safety expenses RMB'000	Total RMB'000
Group:					
2008	1,792	–	924	519	3,235
2007	1,483	–	727	–	2,210

14. Investment In Subsidiary

	Company 2008 RMB'000	Company 2007 RMB'000
Unquoted equity shares at cost to Company	113,143	113,143
Foreign currency translation difference	1,539	1,887
	114,682	115,030
Net book value of subsidiary	274,197	222,862

The subsidiary held by the Company is listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities	Cost of the Investment 2008 RMB'000	Cost of the Investment 2007 RMB'000	Percentage of equity held by Group 2008 %	Percentage of equity held by Group 2007 %
Shandong Yinguang Technology Co., Ltd. People's Republic of China Production and sale of commercial explosive products (a)	113,143	113,143	100	100

In 2007, the Company increased the paid up capital in Shandong Yinguang Technology Co., Ltd. by approximately S$15.5 million using the net proceeds from the Initial Public Offering.

(a) The statutory financial statements for compliance with the laws of PRC are audited by Shandong Dayu Certified Public Accountant Office. For the purpose of preparing the Group's financial statements, the financial statements are audited by Shandong Huide Certified Public Accountants Ltd., a member of the Chinese Institute of Certified Public Accountants and an approved firm by the China Securities Regulatory Commission.

15. Inventories

	Group 2008 RMB'000	Group 2007 RMB'000
Raw materials	16,543	7,204
Work-in-progress	313	395
Finished goods	5,979	4,639
	22,835	12,238
Included in cost of sales:		
Changes in inventories of finished goods and work in progress	(1,258)	239
Raw materials and consumables used	110,331	90,994
The write off of inventories charged to income statement included in other charges	(260)	–

There are no inventories pledged as security for liabilities.

16. Trade and Other Receivables

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Trade receivables:				
Outside parties	97,175	43,227	–	–
Related party (Note 3)	39,143	46,937	–	–
Sub-total	136,318	90,164	–	–
Other receivables:				
Other receivables	1,852	1,341	–	–
Subsidiary (Note 3)	–	–	4,553	–
Sub-total	1,852	1,341	4,553	–
Total trade and other receivables	138,170	91,505	4,553	–

Current receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values.

17. Other Assets

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Prepayments	683	445	525	84
Advances to suppliers	7,576	1,057	–	–
Advances to staff	668	300	–	–
	8,927	1,802	525	84

18. Cash and Cash Equivalents

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Not restricted in use	108,928	129,008	528	396

The carrying amounts are assumed to be reasonable approximate of fair value.

The rate of interest for the cash on interest earning account is 1.0% (2007: 1.0%) per annum. The effective interest rate is about 1.0% (2007: 1.0%) per annum.

Non-cash transactions:

In 2007, there were acquisitions of plant and equipment with a total cost of approximately RMB 584,000 acquired by means of finance leases.

19. Share Capital

	Group and Company		
	Number of shares	Issued share capital S$	Issued share capital RMB Equivalent
Ordinary shares of no par value			
Balance at beginning of year 1 April 2006	175,000,000	7,000,000	34,687,000
Issue of new shares	59,000,000	18,880,000	94,247,072
Share issue expenses	–	(2,421,015)	(12,085,465)
Balance at end of year 31 March 2007 and 31 March 2008	234,000,000	23,458,985	116,848,607

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 at S$0.32 each. The proceeds of the Initial Public Offering (IPO) amounting to S$18.88 million were capitalised as the Company's issued and paid up capital, after deducting IPO expenses of approximately S$2.4 million or RMB 12.1 million. The IPO expenses include professional fee of S$320,588 paid to the Company's auditors in relation to the IPO.

The ordinary shares of no par value carry no right to fixed income and are fully paid. The Company is not subject to any externally imposed capital requirements except the only externally imposed capital requirement is that for the Group to maintain its listing on the Singapore Stock Exchange it has to have share capital of at least a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year.

The objectives when managing capital are: to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level or risk. The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company has insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

20. Other Reserves

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Foreign currency translation reserve	574	712	2,114	2,599
Statutory reserve	23,526	14,870	–	–
	24,100	15,582	2,114	2,599

Under the PRC regulations, the subsidiary is required to set up a statutory reserve which represents a non-distributable reserve made at a rate of 10% of net profit after tax. Contribution to this reserve is no longer mandatory when the reserve reaches 50% of the registered share capital. The reserve is to be used in accordance to the circumstances as stipulated in the relevant regulations.

The above reserves are not available for distribution as cash dividends.

The foreign currency translation reserve accumulates all foreign exchange difference.

All reserves classified on the face of the balance sheet as retained earnings represent past accumulated earnings and are distributable.

21. Other Financial Liabilities

	Group and Company	
	2008 RMB'000	2007 RMB'000
Non-current:		
Finance leases	331	403
Current:		
Finance leases	70	67
Total	401	470

21. Other Financial Liabilities (Cont'd)

Finance leases

2008	Minimum payments RMB'000	Finance charges RMB'000	Present value RMB'000
Minimum lease payments payable:			
Due within 1 year	90	20	70
Due within 2 to 5 years	362	38	324
Due after 5 years	7	–	7
Total	459	58	401
Net book value of plant and equipment under finance leases			466

2007	Minimum payments RMB'000	Finance charges RMB'000	Present value RMB'000
Minimum lease payments payable:			
Due within 1 year	91	24	67
Due within 2 to 5 years	363	56	307
Due after 5 years	98	2	96
Total	552	82	470
Net book value of plant and equipment under finance leases			525

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is 7 years. For the year ended 31 March 2008, the average effective borrowing rate is 6.61% (2007: 6.61%). There is an exposure to fair value interest risk because the interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Singapore dollars. The obligations under finance lease are secured by the lessor's charge over the leased assets. The carrying amounts of the lease liabilities approximate the fair values.

22. Trade and Other Payables

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Trade payables:				
Outside parties and accrued liabilities	26,084	24,693	5,234	2,971
Related parties (Note 3)	699	2,470	–	–
VAT payables	7,762	1,219	–	–
Subtotal	34,545	28,382	5,234	2,971
Other payables:				
Related parties (Note 3)	116	1	–	–
Director (Note 3)	171	135	171	135
Outside parties	8,786	3,965	–	6
Subtotal	9,073	4,101	171	141
Total trade and other payables	43,618	32,483	5,405	3,112

The average credit period taken to settle non-related trade payables is about 60 to 90 days (2007: 60 to 90 days).

The other payables are with short-term durations. The carrying amounts are assumed to be a reasonable approximation of fair values.

23. Other Liabilities

	Group	
	2008 RMB'000	2007 RMB'000
Advances from customers	1,532	122

24. Financial Instruments: Information on Financial Risks

Financial Risk management

The Group has certain strategies for the management of financial risks and action to be taken in order to manage the financial risks. However these are not formally documented in written form. The following guidelines are followed:

(a) Minimise interest rate, currency and market risk for all kinds of transactions.

(b) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

24. Financial Instruments: Information on Financial Risks (Cont'd)

(c) All financial risk management activities are carried out and monitored by senior management staff.

(d) All financial risk management activities are carried out following the good market practices.

The Group is exposed to currency and interest rate risks. There is limited exposure to liquidity risk and price risk. There is no arrangement to reduce such risk exposures through derivatives and other hedging instruments.

Carrying amount of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the year by FRS 39 categories:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Financial assets:				
Cash and cash equivalents	108,928	129,008	528	396
Loans and receivables	138,170	91,505	4,553	–
At end of year	247,098	220,513	5,081	396
Financial liabilities:				
Measured at amortised cost:				
- Finance lease	401	470	401	470
- Trade and other payables	43,618	32,483	5,405	3,112
At end of year	44,019	32,953	5,806	3,582

Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. Credit risk on cash balances and derivative financial instruments is limited because the counter-parties are banks with high credit ratings. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

24. Financial Instruments: Information on Financial Risks (Cont'd)

The table below illustrates the trade and other receivables ageing analysis:

Group	2008 RMB'000	2007 RMB'000
Less that 30 days	39,499	26,031
31 - 60 days	21,989	21,434
61 - 90 days	32,445	16,622
91 - 180 days	42,113	19,882
Over 180 days	2,104	7,536
At end of year	138,170	91,505

The average credit period generally granted to non-related party trade receivable customers is about 90 days (2007: 90 days). But some customers take a longer period to settle the amounts. The total of overdue accounts was RMB 38,270,000 (2007: RMB 16,987,000). The total overdue accounts settled after the year end date was about RMB 7,454,000 (2007: RMB 8,094,000).

Other receivables are normally with no fixed terms and therefore there is no maturity.

	Group	
	2008 RMB'000	2007 RMB'000
Concentration of trade receivable customers:		
Top 1 customer	39,143	46,937
Top 2 customers	61,667	51,443
Top 3 customers	70,044	55,785

Interest rate risk

The interest rate risk exposure mainly concerns financial liabilities and financial assets. These financial instruments are both at fixed and floating rates. The interest rate risk on financial assets and financial liabilities is not significant.

Sensitivity analysis: The effect on profit before tax is not significant.

Foreign currency risks

There is exposure to foreign currency risk as part of its normal business.

24. Financial Instruments: Information on Financial Risks (Cont'd)

Analysis of above amount denominated in non-functional currency:

Group and Company	Cash RMB'000	Total RMB'000
Financial assets:		
At 31 March 2008		
Singapore Dollars	528	528
At 31 March 2007		
Singapore Dollars	396	396

Group and Company	Other financial liabilities RMB'000	Trade and other payables RMB'000	Total RMB'000
Financial liabilities:			
At 31 March 2008			
Singapore Dollars	401	5,405	5,806
At 31 March 2007			
Singapore Dollars	470	3,112	3,582

Sensitivity analysis: The effect on profit before tax is not significant.

25. Capital Commitments

Estimated amounts committed at the balance sheet date for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Commitments to purchase of plant and equipment	35,204	7,832
Commitment to acquire investment	24,100	–
	59,304	7,832

26. Operating Lease Payment Commitments

At the balance sheet date the total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2008 RMB'000	2007 RMB'000
Not later than one year	5,314	2,015
Later than one year and not later than five years	13,343	22
Rental expense for the year	3,280	3,253

Operating lease payments are for rentals payable for certain office and factory properties. The lease rental terms are negotiated for an average term of two to three years.

27. Changes and Adoption of Financial Reporting Standards

The XBRL format has been used for the first time. Adoption of the new XBRL format has resulted in some reclassifications in the balance sheet and the income statement and related notes but these did not require modifications to financial statements measurements.

For the year ended 31 March 2008 the following new or revised Singapore Financial Reporting Standards were adopted for the first time. The new or revised standards did not require any modification of the measurement method or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements - Amendments relating to capital disclosures
FRS 40	Investment Property (*)
FRS 107	Financial Instruments: Disclosures
FRS 107	Financial Instruments: Disclosures - Implementation Guidance
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
INT FRS 108	Scope of FRS 102 (*)
INT FRS 109	Reassessment of Embedded Derivatives (*)
INT FRS 110	Interim Financial Reporting and Impairment
INT FRS 111	FRS102 - Group and Treasury Share Transactions (*)

(*) Not relevant to the entity.

28. Future Changes in Accounting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to have a material impact on the financial statements.

FRS No.	Title	Effective date for periods beginning on or after
FRS 23	Borrowing Costs	1.1.2009
FRS 108	Operating Segments	1.1.2009
INT FRS 112	Service Concessions Arrangements (*)	1.1.2008

(*) Not relevant to the entity.

29. Changes in Accounting Policies, Reclassifications and Comparative Figures

Effective from 1 April 2007 the XBRL format was adopted as mentioned in Note 27. Adoption of these has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and these changes are summarised below:

	After reclassification RMB'000	Before reclassification RMB'000	Difference RMB'000
Group			
2007 Balance Sheet			
Trade and other receivables	91,805	93,307	(1,502)
Other assets	1,502	–	1,502
Trade and other payables	32,483	32,605	(122)
Other liabilities	122	–	122
Company			
2007 Balance Sheet			
Trade and other receivables	–	84	(84)
Other assets	84	–	84
Group			
2007 Income Statement			
Financial income	–	221	(221)
Interest Income	217	–	217
Other credits/ (charges)	–	(98)	98
Other credits	4	–	4
Other charges	(98)	–	(98)

STATISTICS OF SHAREHOLDINGS

AS AT 18 JUNE 2008

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	660	53.27	4,389,000	1.88
10,001 - 1,000,000	563	45.44	28,500,500	12.18
1,000,001 and above	16	1.29	201,110,500	85.94
Total :	1,239	100.00	234,000,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Fortsmith Investments Limited	75,700,000	32.35
2	DNX Australia Pty Limited	69,966,000	29.90
3	Fivestar Limited	22,334,000	9.54
4	Lombard Inc.	8,604,000	3.68
5	Tan Geok Bee	4,231,000	1.81
6	Morgan Stanley Asia (S'pore) Securities Pte Ltd	3,443,000	1.47
7	DBS Nominees Pte Ltd	2,771,500	1.18
8	Raffles Nominees Pte Ltd	2,533,000	1.08
9	HL Bank Nominees (S) Pte Ltd	2,105,000	0.90
10	UOB Kay Hian Pte Ltd	2,063,000	0.88
11	Bank of China Nominees Pte Ltd	1,818,000	0.78
12	OCBC Securities Private Ltd	1,375,000	0.59
13	Phillip Securities Pte Ltd	1,109,000	0.47
14	Citibank Consumer Nominees Pte Ltd	1,026,000	0.44
15	Toh Cho Boon	1,022,000	0.44
16	Chua Sek How	1,010,000	0.43
17	Sino Horizon Group Limited	1,000,000	0.43
18	HSBC (Singapore) Nominees Pte Ltd	704,000	0.30
19	Hong Pian Tee	692,000	0.30
20	Tan Seow Chew	649,000	0.28
Total :		204,155,500	87.25

STATISTICS OF SHAREHOLDINGS

AS AT 18 JUNE 2008

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 18 June 2008.

	No. of Ordinary shares Direct Interest	%	Indirect Interest	%
Fortsmith Investments Limited	75,700,000	32.35%	–	–
DNX Australia Pty Limited	69,966,000	29.90%		
Fivestar Limited	22,334,000	9.54%	–	–
Sun Bowen (1)	–	–	75,700,000	32.35%
Dr. Lim Seck Yeow (2)	–	–	22,334,000	9.54%
Tan Geok Bee (3)	4,231,000	1.81%	22,334,000	9.54%

Notes:

(1) Mr Sun Bowen is deemed to be interested in the shares held by Fortsmith Investments Limited by virtue of Section 7 of the Singapore Companies Act.

(2) Dr. Lim Seck Yeow is deemed to be interested in the shares held by Fivestar Limited by virtue of Section 7 of the Singapore Companies Act.

(3) Mdm Tan Geok Bee is deemed to be interested in the shares held by Fivestar Limited by virtue of Section 7 of the Singapore Companies Act.

Free Float

As at 18 June 2008, approximately 22.5% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company had complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of FABCHEM CHINA LIMITED will be held at 39 Fishery Port Road, Singapore 619745 on Monday, 28 July 2008 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts of the Company for the financial year ended 31 March 2008 together with the Directors' Report and Auditors' Report thereon. Resolution 1

2. To approve Directors' Fees of S$300,000 for the financial year ended 31 March 2008 (2007: S$187,000). Resolution 2

3. To re-elect Mr Ong Tai Tiong Desmond who is retiring under Article 107 of the Articles of Association.

   Mr Ong Tai Tiong Desmond, will upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as Chairman of the Nominating Committee and of the Remuneration Committee. Resolution 3

4. To re-elect Mr Wong Joo Wan who is retiring under Article 107 of the Articles of Association. Resolution 4

5. To re-appoint Dr Lim Seck Yeow as a Director of the Company to hold office until the next Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50.

   Dr Lim Seck Yeow will, upon re-appointment as Director of the Company, remain a member of the Audit Committee and will be considered non independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as non-executive Chairman of the Company, a member of the Remuneration Committee and of the Nominating Committee. Resolution 5

6. To re-elect Mr Peter Neville Hogan who is retiring under Article 117 of the Articles of Association. Resolution 6

7. To re-elect Mr Alan Grace who is retiring under Article 117 of the Articles of Association. Resolution 7

8. To re-appoint Messrs RSM Chio Lim, Certified Public Accountants, as auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 8

9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as an Ordinary Resolution:-

10. AUTHORITY TO ALLOT AND ISSUE SHARES

    THAT pursuant to Section 161 of the Companies Act, Cap. 50 (the "Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than twenty percent (20%) of the total number of issued shares excluding treasury shares, and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. For the purpose of Rule 806(2), the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time of the passing of this resolution approving the mandate after adjusting for:-

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and

(c) any subsequent bonus issue, consolidation or subdivision of shares. Resolution 9

BY ORDER OF THE BOARD

TAN MIN-LI
COMPANY SECRETARY

Date : 12 July 2008

SINGAPORE

Notes :-

(i) A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Company's registered office at 36 Carpenter Street, Singapore 059915 at least 48 hours before the time of the Meeting.

(ii) If re-elected under Resolution 4, Mr Wong Joo Wan will remain as an Independent Director of the Company.

(iii) If re-elected under Resolution 6, Mr Peter Neville Hogan will remain as a Non-Executive director.

(iv) If re-elected under Resolution 7, Mr Alan Grace will remain as a Non-Executive director.

(v) Resolution 7, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty percent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

FABCHEM CHINA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200413128G)

PROXY FORM

IMPORTANT:

1. For investors who have used their CPF monies to buy the Company's ordinary shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intends and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent Banks may register with the Company Secretary of Fabchem China Limited.

I/We ______________________________

of ______________________________

being a member/members of the above-mentioned Company, hereby appoint:-

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 39 Fishery Port Road, Jurong, Singapore 619745 on Monday, 28 July 2008 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	To adopt the Audited Accounts, Directors' Report and Auditors' Report of the Company for the financial year ended 31 March 2008		
2.	To approve the payment of Directors' Fees for the financial year ended 31 March 2008		
3.	To re-elect Mr Ong Tai Tiong Desmond as a Director under Article 107		
4.	To re-elect Mr Wong Joo Wan as a Director under Article 107		
5.	To re-appoint Dr Lim Seck Yeow as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50		
6.	To re-elect Mr Peter Neville Hogan as a Director under Article 117		
7.	To re-elect Mr Alan Grace as a Director under Article 117		
8.	To re-appoint RSM Chio Lim as Auditors and authorise Directors to fix their remuneration		
	Special Business		
9.	To authorize Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited		

Dated this ____________ day of __________________ 2008.

No. of Shares Held

____
Signature(s) of member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes to the Proxy Form

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead.

3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 36 Carpenter Street, Singapore 059915 at least 48 hours before the time appointed for the Annual General Meeting.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

7. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Dr Lim Seck Yeow *Non-executive Chairman*
Sun Bowen *Managing Director*
Bao Hongwei *Executive Director*
Peter Neville Hogan *Non-executive Director*
Alan Grace *Non-executive Director*
Ong Tai Tiong Desmond *Independent Director*
Lim Hui Min John *Independent Director*
Wong Joo Wan *Independent Director*

NOMINATING COMMITTEE
Ong Tai Tiong Desmond *Chairman*
Dr Lim Seck Yeow
Lim Hui Min John

REMUNERATION COMMITTEE
Ong Tai Tiong Desmond *Chairman*
Dr Lim Seck Yeow
Lim Hui Min John

AUDIT COMMITTEE
Lim Hui Min John *Chairman*
Ong Tai Tiong Desmond
Dr Lim Seck Yeow

COMPANY SECRETARY
Tan Min-Li, LLB (Hons), LLM

MAILING ADDRESS
39 Fishery Port Road, Jurong
Singapore 619745

REGISTERED OFFICE
36 Carpenter Street
Singapore 059915
Tel: (65) 6323 8383
Fax: (65) 6323 8282

COMPANY REGISTRATION NUMBER
200413128G

REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483

INDEPENDENT AUDITORS
RSM Chio Lim
Certified Public Accountants, Singapore
(Member of RSM International)
18 Cross Street #08-01
Marsh & McLennan Centre
Singapore 048423
Partner-in-charge: Ng Thiam Soon, FCPA
Appointment with effect from financial year ended 31 March 2005

PRINCIPAL BANKERS
Industrial and Commercial Bank of China
(Fei County Sub-branch)
Feicheng Town, Minzhu Road,
East Section, Fei County,
Shandong 273400, PRC

Headquartered in the Republic of Singapore, Fabchem is one of the leading manufacturers of initiation systems in the People's Republic of China ("China"). Our products include explosive devices (boosters, tube charges and seismic charges), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), as well as industrial detonators (non-electric detonators and piston non-electric detonators).

Fabchem's initiation system products are sold to more than 150 customers in the mining, energy exploration, hydroelectric and infrastructure construction industries primarily located in Henan, Shanxi, Zhejiang, Beijing and Shanghai. We have established "Yinguang" as a brand name associated with safe, reliable and quality explosives products. The Ministry of Science and Technology of China recognizes Fabchem's wholly-owned subsidiary in China as an advanced and high technology enterprise.

Fabchem's subsidiary in China is the pioneer in the production of boosters which is comparable to international standards. Our boosters are tested and certified by Universal Tech Corporation R&D Laboratory, an authorized inspection institute for initiating explosive devices based in United States of America. Fabchem's products are sold in more than 10 countries, including China, Australia, South Africa, Mongolia, India, Kazakhstan and Kyrgyzstan.

www.fabchemchina.com

FABCHEM CHINA LIMITED
39 Fishery Port Road, Jurong Singapore 619745
Tel: (65) 6265 5918 Fax: (65) 6268 2447