FABCHEM CHINA LIMITED
Annual Report 2009

INITIATING the next phase

INITIATING THE NEXT PHASE

Our new facilities are set to further strengthen our leadership position for boosters in China and cement our title as the largest non-electric detonators producer. Our acquisition in FY2009 will place us among the major producers of explosive grade ammonium nitrate around the north-eastern region of China.

These major developments elevate us to the next level and **INITIATE THE NEXT PHASE** of Fabchem China Limited's development to becoming a **LEADING INTEGRATED COMMERCIAL EXPLOSIVES GROUP IN CHINA.**

CONTENTS

ABOUT US

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), industrial detonators (non-electric detonators and piston non-electric detonators) as well as explosive grade ammonium nitrate.

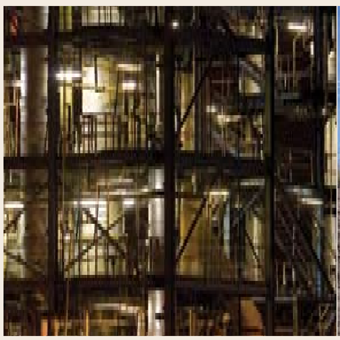
Fabchem's initiation system products are sold to more than 150 customers in the mining, energy exploration, hydroelectric and infrastructure construction industries primarily located in Henan, Shanxi, Zhejiang, Beijing and Shanghai. We have established "Yinguang" as a brand name associated with safe, 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.

OUR JOURNEY OF GROWTH

30 YEARS AND BEYOND

The year 2009 marks the 30th year since our founding, a milestone of steady progress which saw the Group grow from strength to strength and becoming a fully integrated commercial explosives 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 ("SGX-ST").

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

2006

August: Received approval from the Commission of Science, Technology and Industry for National Defense to design and build a 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.

2007

July: Shandong Yinguang Technology Co., Ltd. ("Yinguang 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.

2007

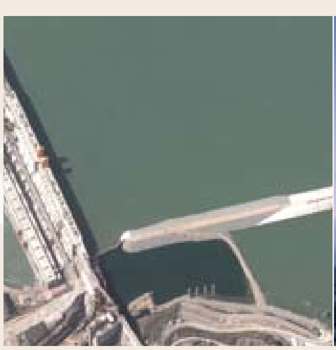
December: Yinguang Technology entered into an Equity Purchase Agreement ("EPA") to acquire the entire equity interest of Hebei Yinguang Chemical Co., Ltd, a company principally engaged in the business of manufacturing and selling ammonium nitrate within China.

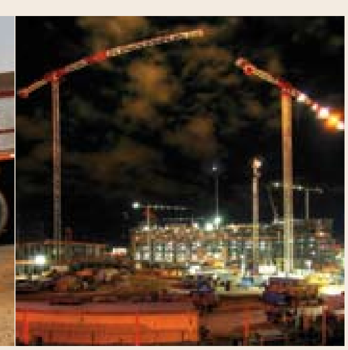
2008

Acquired Hebei Yinguang Chemical Co., Ltd that currently has a manufacturing capacity of 70,000 tonnes per annum of explosive grade ammonium nitrate.

2009

Complete the construction of manufacturing facilities capable of producing 3,000 tonnes of boosters and 60 million units of piston non-electric detonators per annum.





GAINING PROMINENCE

We are now the largest non-electric detonators producer in China.

Our new detonator facility which has a production capacity of 60 million units of piston non-electric detonators.

BOOSTING REACH

Our leadership position as a booster manufacturer is strengthened with the construction of a new booster facility. The current 8,000 tonnes capacity allows us to **CAPTURE BOTH LOCAL AND OVERSEAS DEMAND.**

ADDING STRENGTHS

We are now one of the **MAJOR PRODUCERS OF EXPLOSIVE GRADE AMMONIUM NITRATE** around the north-eastern region of China with the acquisition of Hebei Yinguang Chemical Co., Ltd.

Production Capacity Of **70,000** Tonnes per annum

LETTER TO SHAREHOLDERS

The financial year of 2009 saw a chain of unprecedented events and contributed to the marginal drop in revenue and profits.

Nevertheless, we have primed ourselves for integration and expansion through acquisitions and new manufacturing facilities.

As we enter our next growth phase, we will take every challenge in stride and strive to emerge stronger.

LETTER TO SHAREHOLDERS

Dear Shareholders,

It is with pleasure that I present to you, a review of the Group's performance for the financial year ended 31 March 2009 ("FY2009").

Propelling through Challenges

It has been an unprecedented year for the global economy. What started off as uneasiness when oil prices hit a record high, was soon followed by the onslaught of a global financial crisis. Economies around the world took a downward turn, thereby affecting the prospects of many businesses.

Inevitably, our Group's financial performance for FY2009 became adversely affected, with revenue decreasing 11.9%, and net profit seeing a dip of 42.1%. The weaker performance – as compared to FY2008 – was due to the many challenges that surfaced through the course of the year in review.

Massive Olympic Shutdown

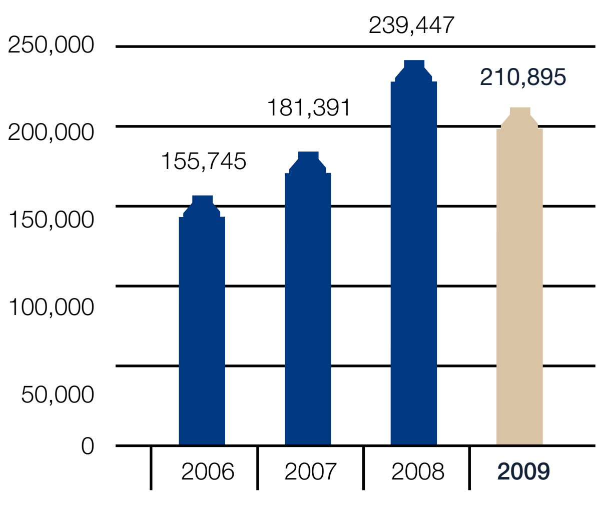
One of the main obstacles faced by the Group was the Beijing Olympics. Although regarded as a historical event for China and its people, the Games had resulted in nationwide business disruptions for commercial explosives companies when a temporary shutdown ensued. This shutdown included restrictions on the shipping of goods as well as the limitations on electricity supply, thereby hindering production and the transport of our goods, and negatively influencing the financial performance of our Group.

A Decline in Global Mining

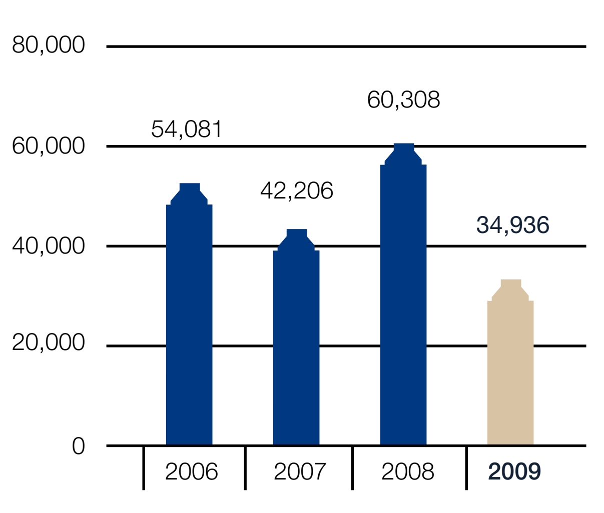
In The Fraser Institute's Survey of Mining Companies: 2008/2009, respondents largely believed that with the unfavourable economic environment, exploration and development activities of the mining industry will be curtailed, and hence lead to a large decrease in mining activities.

This decline in global mining has slowed growth for our initiation devices segment. Mining activities in our major markets, China and Australia, have been decreasing over the last few months. We will continue to remain vigilant during this economic downturn while keeping a lookout for possible entry into potential new markets.

Revenue (RMB'000)



Net Profit (RMB'000)



LETTER TO SHAREHOLDERS

Primed for Expansion

In the year under review, our subsidiary Yinguang Technology completed the construction of two new production facilities which would potentially increase the production capacity by 3,000 tonnes for boosters, and 60 million units for piston non-electric detonators. By increasing our manufacturing capabilities, the Group will be primed to increase production capacity and thereby increase revenue and profits in the coming financial years.

Integrating for Growth

Last year, we stated the intentions to acquire an ammonium nitrate company, Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"). We are pleased to announce that in October 2008, we completed the abovementioned acquisition and the said company is now a wholly-owned subsidiary of the Group. With effect from November 2008, its financial results have been consolidated with those of the Group.

Located in the Hebei province of China, Hebei Yinguang is principally engaged in the business of manufacturing and selling explosive grade ammonium nitrate – a major raw material for explosives. With the integration of this specialty raw material into our business, the Group can deliver additional value to the explosives industry and tighten up the industrial relationship for the Group's further growth.

With the completion of the new production facilities, Hebei Yinguang's aggregate production capacity now stands at 70,000 tonnes per annum – reflecting an increase of 40,000 tonnes. Subject to the ongoing economic conditions, we target to ramp up to full capacity by the end of November 2009.

Even though development at Hebei Yinguang has been progressing gradually since the acquisition, the ongoing manifestation of the economic crisis is becoming a growing cause for concern. With the lower selling prices and gross margins, Hebei Yinguang may experience undue stress on its profits until the prices of ammonium nitrate recover.

China's Stimulus Package

Last November, China unveiled a four-trillion yuan (US$586 billion) stimulus package aimed at averting the effects of the global recession on China. It will be spent on housing, upgrading infrastructure, agriculture, healthcare and social welfare, and also features a tax deduction for capital spending by companies.

In light of the sharp decline in overseas demand, the stimulus package will also be able to boost domestic demand and in turn, shore up the economy. We will make the best of this opportunity by switching our main marketing focus to the domestic market. That way, we would be able to minimise possible losses from the declining overseas demand.

LETTER TO SHAREHOLDERS

FY2009: Financial Review

Our Group's revenue decreased by 11.9%; from RMB239.4 million to RMB210.9 million. This was due mainly to the disruption during the Beijing Olympics period between July and September 2008, and the deterioration of global economic conditions.

Sales within China increased by 7.5% or approximately RMB11.4 million. This was mainly due to additional revenue from ammonium nitrate through our newly acquired subsidiary, Hebei Yinguang, as well as the increase in local sales of piston non-electric detonators – by 40.0%. Local sales of boosters and detonating cords however, decreased by 36.2% and 47.1% respectively.

Sales to South Africa were disrupted for a period during the year in review, due to the shipping disruptions that stemmed from a dispute between the owner of the vessel and the port of South Africa. In addition, South Africa's mining industry was affected by the decrease in global mining activities. Nevertheless, a sales revenue of approximately RMB4.2 million was reached.

Sales through export distributors and other countries decreased by approximately RMB23.5 million or 57.3%, mainly due to the transportation restrictions during the Beijing Olympics period as well as the challenging global market conditions.

Gross profit margin weakened slightly, by 5.5 percentage points from 43.5% in FY2008 to 38.0% in FY2009. The decrease in our gross profit margin was attributed to the lower gross profit margin for ammonium nitrate products as compared to our existing product range for initiation systems, as well as the increase in prices of raw materials during the year under review.

General and administrative expenses also rose, albeit to a smaller extent by 3.7%. The increase is primarily due to the consolidation of administrative expenses from our newly acquired subsidiary, Hebei Yinguang. The increase is partially offset by the decrease in those expenses relating to the lower Group's results, for example, executive directors' profit sharing and safety expenses.

The Group's net profit for the year decreased by 42.1%; from RMB60.3 million to RMB34.9 million. Not only is it due to the lower revenue, but it is also owing to the significant increase of 40.4% in operating expenses such as staff and transportation expenses.

The effective tax rate for FY2009 was 17.0%, higher than the PRC concessionary tax rate of 12.5% due to the corporate expenses incurred in Singapore.

Our Group's balance sheet remained healthy with cash and cash equivalents of RMB112.6 million as at the end of FY2009.

Goodwill, based on the provisional fair value, arises from the acquisition of Hebei Yinguang. The provisional value identified from the acquisition is subject to finalisation of valuation work by a professional valuer.

The higher property, plant and equipment, inventories, other assets, trade and other payables and other financial liabilities were attributed to the acquisition of Hebei Yinguang. Property, plant and equipment were also higher due to the completion of our two new production facilities in FY2009.

The net cash from operating activities was approximately RMB46.7 million for the year in review. This was due mainly to the recovery of debts from relatively higher sales made during the fourth quarter of FY2008, and partially offset by the increase in inventories and other assets of the Group.

Our net cash used in investing activities was approximately RMB43.9 million, and this is mainly due to the construction of our two new production facilities and partially offset by the cash flows from acquisitions of Hebei Yinguang.

Net cash from financing activities of approximately RMB0.8 million was due mainly to the additional RMB2.0 million bank loan obtained for Hebei Yinguang and partially offset by the repayment of finance lease obligation, third part loan and interest payment.

In FY2009, the Group utilised approximately RMB58.6 million of the IPO proceeds for the purchase of plants and machineries for the boosters and detonators facilities, and for working capital purposes. As of 1 June 2009, the Group has further utilised RMB5.2 million of the IPO proceeds for working capital purposes. In total as at 1 June 2009, the Group has utilised RMB80.2 million of the IPO proceeds. The total IPO proceeds unutilised approximates at RMB2.0 million, and will be used for overseas expansion.

Initiating the Next Phase

It is true that the year ahead may bring with it further challenges. However, it is through obstacles that we can garner greater strength, and continue our pursuit to be a leading commercial explosives group in China.

The new production facilities under Yinguang Technology are expected to not only increase production capabilities, but also further the Group's growth. We expect to resume growth and be in an overall stronger position with the improvement of the global economy.

This year, Fabchem celebrates its 30-year milestone. As we reflect on fruitful experiences, we anticipate with greater eagerness, the exciting journey that lies ahead. In our advancement, we will continue to demonstrate an unwavering commitment to becoming a premier supplier of commercial explosive products, and serve customers in commodity-driven economies such as China, Australia and South Africa.

To Acknowledge and Appreciate

We would like to extend our appreciation to the people who have given us their unconditional support. Our shareholders, fellow directors, the management team, as well as our suppliers and customers, have all been instrumental in the Group's resolute march towards the ever-evolving finishing line. As we initiate the next phase of growth, we anticipate your support and look forward to more positive progress ahead.

致 股 东 辞

尊敬的股东们:

我很荣幸的在截至2009年3月31日止之年度报告中向各位致辞。

勇于迎接挑战

当前，全球经济处于前所未有的困难时期。原油价格高涨突破历史新高，加之随后爆发的金融危机，给集团笼上了极大的阴霾。全球经济的下滑，使更多商业部门的前景不容乐观。

本集团也不例外，在2009财政年度受到负面影响，收入减少了11.9%，且净利润下降了42.1%。与2008财政年度同期相比，出现这样的不利状况主要由于此时期内显露出的各种挑战。

北京奥运会导致业务中断

北京奥运会是集团所面对的一个主要挑战。此次奥运会，对中国乃至人民而言，是一个历史性的事件。因此，政府要求所有在从事民爆的企业停止其相关工程和业务，确保奥运会的顺利进行。其中也包括货物运输及电力供应的限制，因此对集团的生产能力和货物运输造成了严重的阻碍，从而对集团的财务状况带来了负面的影响。

全球采矿行业经济下滑

在弗雷泽研究所（The Fraser Institute）2008到2009 年对采矿行业的调查报告中显示，由于全球经济环境的不利影响，采矿行业的勘探和探索减少，从而造成采矿工程大幅缩减。

全球采矿行业的下滑，造成集团的起爆器材的增长放缓。在我们主要的采矿工程市场 – 中国和澳大利亚，其业绩在过去的几个月已经呈现下滑趋势。因此，在这个经济衰弱的时期，我们将保持谨慎和观望的态度，继续探索和寻找可以进入的具有潜在发展能力的新市场。

整装待发，拓展产能

在此财政年度，我们的子公司山东银光科技有限公司成功新建了一条年产能3000吨的起爆具生产线及一条年产能6000万发的活塞式导爆管雷管生产线。由于生产能力的增强，集团的生产能力将有望提高，从而提升下一年的收入和利润水平。

通过整合促进增长

去年，本集团对一家硝酸铵公司 – 河北银光化工有限公司(“河北银光”) 进行收购。值得我们高兴的是，本集团在2008年10月成功收购了此公司并且已下设为集团的一个独资子公司。 自2008年11月，集团已对其财务结果进行整合。

河北银光坐落在中国的河北省，其主要商业活动是生产和销售硝酸铵 – 一种生产工业炸药的主要原材料。 随着此特种原材料的业务整合，集团将能为民爆行业传递更多价值而且为集团未来的进一步发展提供更紧密的业务关系。

致 股 东 辞

随着新生产设备的成功新建，河北银光的总生产量现可达每年70000吨 – 呈现一个40000吨的提升。在当前的经济条件下，我们的目标是至2009年11月底达到全部产能。

河北银光自收购以来呈现增长趋势，然而当前的经济风暴，已成为一个阻碍其增长的不可忽视的因素. 随着销售价格下降和毛利的降低，河北银光必须要承受利润方面的重大压力，直到硝酸铵的价格再次恢复才可回转。

中国政府采取刺激经济的政策

去年11月，中国出资5860亿美元，针对当前的经济环境出台一系列刺激经济的措施，避免全球经济风暴在中国的大幅蔓延。此政策不仅用于房地产，基础设施，农业，保健业及社会福利业，也体现在政府降低了征收用于企业投资的税费。

由于海外需求的急速下降，刺激经济的政策也可扩大内需，从而，增强国内经济水平。我们将抓住这个良好机遇，把我们的主要市场转移到备受关注的国内市场上去。这样，我们就可以降低来自国外需求下降所可能带来得亏损。

2009财年之财务回顾

本集团收入从2亿3940万元人民币到2亿1090万元人民币，减少了11.9%。主要由于2008年7月到9月的北京奥运会期间，工程和业务的中断及全球经济的衰退所致。

国内销售增加了7.5%，或约1140万元人民币。 主要源于活塞式导爆管雷管的本地销售额40.0%的提高及新收购的子公司-河北银光的主营产品硝酸铵的额外收入。然而，当地的起爆具和导爆索的销售额也分别减少了36.2%和47.1%。

在此财政年度，由于货船拥有者及南非港口的暂停服务导致运输贸易中断，从而中断了南非的贸易活动。加之，全球采矿行业的削弱造成南非采矿业面临衰退。然而，销售收入还是达到了约420万元人民币。

源自出口代理商和其他国家的销售降低了2350万元人民币，或57.3%，主要由于政府在北京奥运会期间对出口运输的限制及全球市场经济条件的不利影响所致。

毛利率轻微幅度的下滑了5.5%，从2008年财政年度的43.5%到2009年财政年度的38.0%。这个降低主要原因是与我们原有的起爆器材产品范围相比，硝酸铵产品较低的毛利率；及此财政年度的一系列原材料价格的上涨。

本集团的净利润降低了42.1%，从6030万元人民币到3490万元人民币。源于集团较低的收入，及对员工费用及差旅费用的40.4%的提高。

管理费用也存在3.7%的细微增长。主要由于来自我们新收购的子公司-河北银光的管理费用支出所致。与那些造成集团年度结果较低的费用相抵消，例如，执行董事的分红和安保费用。

本集团的净利润降低了42.1%，从6030万元人民币到3490万元人民币。源于集团较低的收入，及对员工费用及差旅费用的40.4%的提高。

致 股 东 辞

2009财政年度的有效税率是17.0%，高于中国特许经销商税率的12.5%，主要来自与新加坡的管理费用。

本集团资产负债表仍然平稳。截至2009财政年底，集团的现金及现金等价物达到1亿1260万元人民币。

商誉，在预测的公开价值基础上，来自于河北银光的收购。最终的价值将来自专业评估师的估测。

河北银光的收购增加了集团的固定资产，库存，其他资产，应收账款和其他应收款以及其他财政的负债。固定资产增加，也是因为2009财政年度新增的两条新生产线的完工。

在此财政年度，来自经营活动产生的现金净额约为4,670万元人民币。主要来自2008财政年度第四季度较高销售额造成的负债的收回，以及与来自集团的库存和其他资产所造成的增长相抵消。

用于投资活动的现金净额约为4，390万元人民币。主要因为集团两个新生产线的建造，及用于抵消来自河北银光收购所造成的现金流量。

用于融资活动的净额约800万元人民币。主要由于河北银光得到的额外银行贷款200万元及用于抵消来自融资租赁，第三方贷款及利息支付所要造成的债务。

在2009财政年度，集团支出约5860万元人民币的筹募资金用于购买起爆具以及活塞式导爆管雷管设备，及流动资金用途。在2009年6月1日，集团再度支出520万元人民币的筹募资金用于流动资金。　截至2009年6月1日止，集团总共支出8020万元人民币的筹募资金。尚未使用的筹募资金为200万元人民币，将用于海外市场的拓展。

崭新时期的开始

集团的确要在接下来的一年面临越加严峻的挑战。固然，集团也会在这场考验中，积累丰厚的经验和积蓄更加雄厚的实力，从而使集团朝向中国顶尖民用爆破器材集团的目标继续迈进。

银光科技有限公司投设的新生产线，对集团的生产能力和整体发展都起到促进和推动的作用。随着全球经济的回暖，我们期待集团经济再度增长，再创辉煌。

今年，是中国杰化成立的具有里程碑意义的30周年。我们在爆破领域拥有丰富经验和雄厚实力，坚信会带给大家一个璀璨的明天。我们将全身心地投入，坚定不移的继续朝向顶尖民用爆破产品供应商的目标迈进，并且会更加有效和全力的服务像中国，澳大利亚及南非这样具有驱动型经济体系的客户。

鸣谢

我们很荣幸的向我们的股东，董事同仁，管理层，供应商及客户表达我们最诚挚的谢意，感谢各位给予本集团的鼎力支持及长期以来的宝贵建议和信任。新时期伊始，我们期待与各位再度合作，并肩走向更加璀璨辉煌的明天。

FINANCIAL HIGHLIGHTS

	FY2006 Actual RMB'000	FY2007 Actual RMB'000	FY2008 Actual RMB'000	FY2009 Actual RMB'000
REVENUE BY PRODUCT SEGMENTS				
Explosive Devices	89,170	90,188	108,558	69,274
Industrial Fuse and Initiating Explosive Devices	47,393	68,669	75,970	71,510
Industrial Detonators	18,516	21,674	54,331	49,934
Ammonium Nitrate	-	-	-	18,895
Others	666	860	588	1,282
OPERATING RESULTS				
Revenue	155,745	181,391	239,447	210,895
Gross Profit	69,063	71,566	104,080	80,075
Profit before tax	54,081	45,427	72,558	42,094
Net Profit Attributable to Shareholders	54,081	42,206	60,308	34,936
EBITDA	55,943	47,449	75,102	45,594
BALANCE SHEET				
Non-Current Assets	5,695	22,205	46,624	203,489
Current Assets	133,003	234,553	278,860	306,196
Current Liabilities	43,239	35,893	50,675	200,994
Non-Current Liabilities	-	403	331	226
Shareholders' Equity	95,459	220,462	274,478	308,465
CASH FLOW				
Net Cash From Operating Activities	39,591	25,906	13,628	46,734
Net Cash Used In Investing Activities	(868)	(18,020)	(27,393)	(43,857)
Net Cash (Used In) / From Financing Activities	(937)	82,019	(6,315)	816

AUGMENTING OUR DYNAMICS

WELL POSITIONED TO MEET BOOSTING DEMANDS

We have achieved our goals of expanding non-electric detonator production, adding a new booster facility and establishing our position as a major producer of explosive grade ammonium nitrate in north-eastern China. These developments empower us to further capture demand in countries such as China, Australia and South Africa.

	FY2008	FY2009	
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%
Ammonium Nitrate	NIL	70,000 tonnes per annum	New Acquisition

CHINA

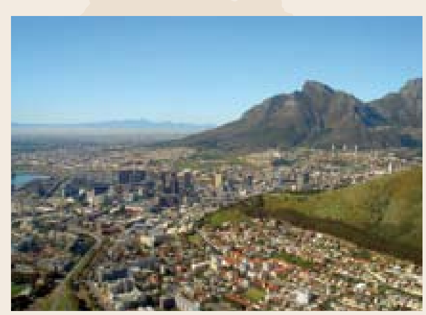
- Largest coal power in the world
- 80% of energy from coal
- Source of 13% of the world's coal reserves

AUSTRALIA

- Major source of iron ore, nickel, bauxite/ aluminium, copper, gold, silver, uranium, diamond, opal, zinc, coal, oil shale, petroleum, and natural gas
- Two thirds of exports to China are energy and minerals
- More than 50% of exported iron ore goes to China

SOUTH AFRICA

- Leading raw material exporter worldwide
- Exports gold, diamonds, platinum, chromium, vanadium, uranium, iron ore and coal
- Commodities comprise approximately 60% of the South Africa's exports



BOARD OF DIRECTORS

FROM LEFT TO RIGHT
TOP ROW: LIM HUI MIN JOHN BAO HONGWEI ONG TAI TIONG DESMOND DR. LIM SECK YEOW WONG JOO WAN
BOTTOM ROW: PETER NEVILLE HOGAN ALAN GRACE SUN BOWEN

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. He also serves on the board of China Powerplus Limited which is also listed on the Singapore Stock Exchange. Dr. Lim started his career as an Assistant Stock Keeper with Cold Storage Limited and rose through the ranks to become its Sales Manager and eventually its Asia Regional Sales Manager. Dr. Lim holds an honorary Doctorate of Philosophy in Entrepreneurship from Wisconsin International University in the United States.

BOARD OF DIRECTORS

SUN BOWEN
MANAGING DIRECTOR

Sun Bowen is our Managing Director and was appointed as our Director on 16 June 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 Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Chemical Group"). He was also the director and general manager of 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. 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 Provincial Party Committee School of Shandong in 2002 and a Master Degree in Administrative Management from Beijing Normal University in 2004.

BOARD OF DIRECTORS

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 Executive of Incitec Pivot Ltd ("IPL"). Prior to joining IPL 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 Carbon Energy Ltd, an ASX listed company, Nitromak dnx Kimya Sanayii A.S., a private company based in Turkey and the Villa Maria Society, an Australian not-for-profit organisation providing services in the aged care and disability sectors.

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 Major Projects for Incitec Pivot Ltd ("IPL"). Alan Grace is also a member of IPL'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 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. He is currently the Managing Director of Eversheds LLP Singapore. He is also an independent director of China Powerplus Limited as well as a non-executive director of New Lakeside Holdings Ltd and Teledata (Singapore) Limited. Prior to his current appointment, Mr Ong was the Managing Director of DLA Piper Singapore Pte Ltd ("DLA Piper"). Prior to joining DLA Piper, he was the Managing Partner of J Koh & Co ("Messrs J Koh"), a law firm in Singapore where he has been a partner since 1998. Prior to joining Messrs J Koh, he was a Legal Assistant with two law firms in Singapore, Messrs Rajah & Tann and Messrs Allen & Gledhill. Mr Ong holds a Bachelor of Laws degree from the National University of Singapore.

BOARD OF DIRECTORS

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 SG Tech Holdings Limited. 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. 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.

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

8 Cross Street #11-00
PWC Building
Singapore 048424
Tel: (65) 6236 3333
Tel: (65) 6236 4399

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

FINANCIAL CONTENTS

SAFETY AND SECURITY COMPLIANCE

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 at each level of operation 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. In addition, we have implemented Dyno Nobel Limited's "Take 5" system to encourage employees' participation in identifying risk hazards and increasing the level of awareness of those risk hazards. 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. Production could be suspended for investigation 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. If investigation showed that the accident is due to a failure to comply with proper safety measures and procedures, corrective actions must be taken. The authorities can revoke our licenses to manufacture explosive products if no improvement is made subsequent to the suspension period. 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 Ministry of Industry and Information Technology, Department of Work Safety[(1)] ("MIIT"), 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 MIIT. 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 2009, the Commission of Science and Technology of Shandong performed the safety inspection and certified that the safety procedures and requirements have been met.

(c) MIIT conducts random inspection on our factory and warehouse safety procedures every year. In April 2009, MIIT performed the safety inspection and certified that the safety procedures and requirements have been met.

SAFETY AND SECURITY COMPLIANCE

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 2009, we had a security team comprising 139 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.

(1) The Ministry of Industry and Information Technology, Department of Work Safety replaced the Commission of Science, Technology and Industry for National Defense as the governing body for commercial explosive companies in China.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Fabchem China Limited recognises 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 subsidiaries, Shandong Yinguang Technology Co., Ltd and Hebei Yinguang Chemical Co., Ltd ("Subsidiaries") (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 2009 are set out below.

1. BOARD OF DIRECTORS (THE "BOARD")

Principle 1: The Board's conduct of affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

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 hand in hand with the Management of the Company (the "Management") towards achieving this end. The Board reviews Management's performance and 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 any new member to the Board and key personnel. Matters which required Board's decision including interested person transactions, material acquisitions and disposal of assets, corporate and financial restructuring, issuances of shares, dividends and other returns to shareholders.

The Board conducts regular scheduled meetings. Additional meetings may be convened as and when circumstance require. The Company's Articles of Association do 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 disclosure obligations as set under the SGX-ST listing rules and the Companies Act. Management also conducts orientation programs for new directors to familiarize themselves with the business activities of the group, its strategic direction and corporate governance practices.

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

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
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	4	4	1	1	1	1
Sun Bowen	4	4	—	—	—	—	—	—
Bao Hongwei	4	4	—	—	—	—	—	—
Peter Neville Hogan*	3	3	—	—	—	—	—	—
Alan Grace*	3	2	—	—	—	—	—	—
Ong Tai Tiong Desmond	4	4	4	4	1	1	1	1
Lim Hui Min John	4	4	4	4	1	1	1	1
Wong Joo Wan	4	4	—	—	—	—	—	—

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

* Mr Peter Neville Hogan and Mr Alan Grace were appointed to the Board on 2 July 2008.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The NC reviews the size and composition of the Board and ensures 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 which include 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 member to the 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.

Principle 3: Role of Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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 the Company's 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, Mr Sun Bowen who assumes the executive responsibilities of the day-to-day management of the Company. This division of responsibilities has been agreed among the Board members.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment of new directors to the Board.

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 the Directors 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. Directors of or over 70 years of age required to be re-elected every year at the AGM under Section 153(6) of the Companies Act, Cap. 50 before they can continue to act as Director.

The NC comprises Mr Ong Tai Tiong Desmond, Dr Lim Seck Yeow and Mr Lim Hui Min John. The NC Chairman is Mr Ong Tai Tiong Desmond. The NC will be responsible for (a) the selection and appointment of any new Directors and re-nomination of the 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, 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 responsible in deciding whether a director, particularly when he has multiple board memberships, is able to carry out his duties as a director of the Company.

Principle 5: Board Performance

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC has adopted a formal process to assess the effectiveness of the Board as a whole and contribution by each individual director to the effectiveness of the Board on an annual basis.

The performance criteria for the Board evaluation are based on financial and non-financial indicators such as an evaluation of the size and composition of the Board, the Board's access to information, Board's processes, strategy and planning, risk management, accountability, Board's 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.

Principle 6: Access to information

In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

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

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises Mr Ong Tai Tiong Desmond, Dr Lim Seck Yeow and Mr Lim Hui Min John. The Chairman of the RC is Mr Ong Tai Tiong Desmond. The independent directors on the RC are Mr Ong Tai Tiong Desmond and Mr Lim Hui Min John. The RC is responsible for recommending to the 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 the RC.

The RC meets at least once in 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.

Principle 8: Level and Mix of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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 the 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 the Executive Directors for an initial period of 3 years. The RC reviews the compensation commitments for early termination under the service contracts.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Remuneration of Directors

The Executive Directors' remuneration comprise mainly 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.

The Independent Non-Executive Directors have remuneration packages which comprise of 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 the 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 2009. Instead, we are disclosing the bands of remuneration as follows:

Name of Director	Below S$250,000	S$250,00 to below S$500,000	Directors' Fees* (%)	Percentage of Variable Remuneration (%)	Percentage of Fixed Remuneration (including Directors' Fees) (%)
Dr Lim Seck Yeow	✓	–	100	–	100
Sun Bowen	–	✓	–	39.7	60.3
Bao Hongwei	✓	–	–	34.5	65.5
Peter Neville Hogan	✓	–	100	–	100
Alan Grace	✓	–	100	–	100
Ong Tai Tiong Desmond	✓	–	100	–	100
Lim Hui Min John	✓	–	100	–	100
Wong Joo Wan	✓	–	100	–	100

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

Remuneration of Key Executives

Details of remuneration paid to the key executives (who are not Directors of the Company) of the Group for the financial year ended 31 March 2009 are set out below. For competitive reasons, the Company is only disclosing the band of remuneration for each key executive for the financial year ended 31 March 2009 under review as follows:

Name of Key Executive	Below S$250,000	Percentage of Variable Remuneration (%)	Percentage of Fixed Remuneration (%)
Chen Rui	✓	–	100
Sun Qiang [(1)]	✓	–	100
Yang Xingdong	✓	–	100
Kwek Wei Lee	✓	18.9	81.1
Chen Hongyu	✓	–	100
Yang Changde	✓	–	100

Note: (1) Sun Qiang is the son of the 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 2009.

3. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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.

Principle 11: Audit Committee

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

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 Mr Lim Hui Min John, Mr Ong Tai Tiong Desmond and Dr Lim Seck Yeow. The Chairman of the AC is Mr 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 quarterly 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 the 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 also met up with the internal and external auditors without any executive of the Company being present at least once on an annual basis and as and when necessary during the year.

The AC has also reviewed the annual financial statements of the Company and the Group for the financial year ended 31 March 2009 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 for the financial ended 31 March 2009. 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. The AC has also recommended the re-appointment of the auditors to the Board.

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.

Principle 12: Internal Controls

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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 and confirmed the adequacy of the Company's internal controls.

Principle 13: Internal Audit

The company should establish an internal audit function that is independent of the activities it audits.

The Company has set up an Internal Audit ("IA') function to provide internal audit services to the 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 the 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.

Principle 14: 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 Internal Auditor and the Chairman of the AC will be informed immediately of all whistle-blowing reports received.

4. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

Companies should engage in regular, effective and fair communication with shareholders.

The Company believes in engaging a regular, effective and fair communication with its shareholders and is committed to convey pertinent information to its 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 released to the SGX-ST, the Company's annual reports, circulars, press releases, as well as on the corporate website (www.fabchemchina.com) which has a dedicated investor relations section.

Principle 16: Greater Shareholder Participation

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes in encouraging shareholder participation at its general meetings. The Company's Articles of Association allow a shareholder entitled to attend and vote at general meetings to appoint not more than two proxies who need not be shareholders of the Company to attend and vote on his stead. 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 from shareholders at general meetings. The external auditors are also present to address shareholders queries in relation to the conduct of the 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 results for the first three quarters of its financial year, or one month prior to the announcement of the Company's full year 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 in order 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 Board 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 2009.

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 2009, the following Interested Person Transactions were entered into by the Group:

Name of interested person	Nature	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) Actual FY2009 RMB'000	Actual FY2008 RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) Actual FY2009 RMB'000	Actual FY2008 RMB'000
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	5,000	3,000	–	–
Feixian Yinguang Transport Co., Ltd.	Transportation charges	2,779	2,316	–	–
Feixian Yinguang Magnesium Co., Ltd.	Purchase of magnesium materials	483	4,737	–	–
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	1,136	839	–	–
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	1,351	–	–	–
Shandong Yinguang Chemical Group Co., Ltd	Acquisition of Hebei Yinguang Chemical Co., Ltd (1)	9,000	–	–	–
	Sales of ammonium nitrate	486	–	–	–
Shandong Yinguang Qianfeng Chemical Co., Ltd (2)	Sales of ammonium nitrate	–	–	5,059	–
Tai'an Yinguang Xinhua Chemical Group Co., Ltd (2)	Sales of ammonium nitrate	–	–	7,108	–

Footnote:

(1) Approved at the Extraordinary General Meeting on 22 September 2008.

(2) With effect from 1 January 2009, the operations and businesses of Shandong Yinguang Qianfeng Chemical Co., Ltd ("Qianfeng") and Tai'an Yinguang Xinhua Chemical Co., Ltd ("Xinhua") were transferred to Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Group"). The above amounts referred to transactions carried out since date of acquisition of Hebei Yinguang till 31 March 2009. The relevant general mandate will be updated accordingly when it is proposed for renewal at the forthcoming Annual General Meeting.

9. TRANSACTIONS WITH BEIJING AOXIN CHEMICAL TECHNOLOGY DEVELOPMENT CO., LTD ("AOXIN")

Aoxin is connected to the 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. Thus, the Company may continue with such transactions with Aoxin where the terms relating thereto are in the interest of, or beneficial to the 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 the executive officer, Sun Qiang, has a 9.9% interest in Aoxin. The Managing Director is also a non-executive director of Aoxin.

The Company sells its commercial explosives to Aoxin which in turn sells to its overseas customers. Although the Company has obtained its own export licence, the Company may also engage the services of Aoxin to export its products to its overseas customers due to certain commercial reasons. In these cases, the Company will negotiate the terms of sales and sign the sales contracts with its overseas customers. The transactions were entered into on normal commercial terms and on arm's length basis.

Nature	Actual FY2009 RMB'000	Actual FY2008 RMB'000
Sales of commercial explosives to Aoxin	11,937	27,212
Sales of commercial explosives to oversea customers through Aoxin	29,421	40,794

10. USE OF IPO PROCEEDS

For the financial year ended 31 March 2009, the Group has utilised approximately RMB58.6 million of the IPO proceeds for the purchase of plants and machineries for the boosters and detonators facilities and for working capital purposes. As of 1 June 2009, the Group has further utilised RMB5.2 million of the IPO proceeds for working capital purposes. In total as at 1 June 2009, the Group has utilised RMB80.2 million of the IPO proceeds. Total IPO proceeds unutilised approximates RMB2.0 million which will be used for overseas expansion in the future.

The Board will continue to make periodic announcements on the utilisation of the balance of the IPO proceeds until the whole of the IPO proceeds has been fully disbursed.

REPORT OF THE DIRECTORS

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 2009.

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	
Peter Neville Hogan	Appointed on 2 July 2008
Alan Grace	Appointed on 2 July 2008
Ong Tai Tiong Desmond	
Lim Hui Min John	
Wong Joo Wan	

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	Direct Interest At beginning of year	At end of year	At 21 April 2009
The Company	Ordinary shares with no par value		
Bao Hongwei	–	4,583,000	4,583,000
	Deemed Interest		
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	8,604,000	8,604,000

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

8. Audit Committee (Cont'd)

- 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).

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 LLP, 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 LLP, 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 25 May 2009, 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

29 May 2009

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 2009 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

29 May 2009

INDEPENDENT AUDITORS' REPORT

to the Members of Fabchem China Limited
(Registration No: 200413128G)

We have audited the accompanying financial statements of Fabchem China Limited and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 March 2009, 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 income statement 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.

INDEPENDENT AUDITORS' REPORT

to the Members of Fabchem China Limited
(Registration No: 200413128G)

Opinion

In our opinion,

(a) the consolidated financial statements of the Group, the balance sheet and statement of changes in equity 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 2009 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

(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 LLP
Public Accountants and
Certified Public Accountants

Singapore
29 May 2009

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 MARCH 2009

	Notes	Group 2009 RMB'000	Group 2008 RMB'000
Revenue	5	210,895	239,447
Cost of Sales		(130,820)	(135,367)
Gross Profit		80,075	104,080
Other Items of Income			
Interest Income	6	277	264
Other Credits	7	1,676	99
Other Items of Expense			
Distribution Costs		(12,047)	(8,578)
Administrative Expenses		(23,808)	(22,955)
Finance Costs	6	(530)	(92)
Other Charges	7	(3,549)	(260)
Profit Before Tax From Continuing Operations		42,094	72,558
Income Tax Expense	9	(7,158)	(12,250)
Profit from Continuing Operations, Net of Tax		34,936	60,308
		RMB	RMB
Earnings Per Share from Continuing Operations		Cents	Cents
- Basic	10	14.93	25.77
- Diluted	10	14.93	25.77

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

BALANCE SHEETS

AS AT 31 MARCH 2009

	Notes	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	13	138,462	46,624	376	481
Intangible Assets	14	20,001	–	–	–
Other Assets	15	45,026	–	–	–
Investment in Subsidiaries	16	–	–	101,176	114,682
Total Non-Current Assets		203,489	46,624	101,552	115,163
Current Assets					
Inventories	17	47,001	22,835	–	–
Trade and Other Receivables	18	119,074	138,170	14,689	4,553
Other Assets	15	27,500	8,927	97	525
Cash and Cash Equivalents	19	112,621	108,928	256	528
Total Current Assets		306,196	278,860	15,042	5,606
Total Assets		509,685	325,484	116,594	120,769
EQUITY AND LIABILITIES					
Equity					
Share Capital	20	116,849	116,849	116,849	116,849
Retained Earnings / (Accumulated Losses)		163,859	133,529	8,494	(4,000)
Other Reserves	21	27,757	24,100	(12,342)	2,114
Total Equity		308,465	274,478	113,001	114,963
Non-Current Liabilities					
Other Financial Liabilities	22	226	331	226	331
Total Non-Current Liabilities		226	331	226	331
Current Liabilities					
Income Tax Payable		5,240	5,455	–	–
Trade and Other Payables	23	144,057	43,618	3,301	5,405
Other Financial Liabilities	22	49,688	70	66	70
Other Liabilities	24	2,009	1,532	–	–
Total Current Liabilities		200,994	50,675	3,367	5,475
Total Liabilities		201,220	51,006	3,593	5,806
Total Equity and Liabilities		509,685	325,484	116,594	120,769

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2009

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 2008	116,849	23,526	574	133,529	274,478
Items of Income and Expense Recognised Directly in Equity:					
Exchange Differences on Translating of Financial Statements of Parent	–	–	(949)	–	(949)
Net Income Recognised Directly in Equity	–	–	(949)	–	(949)
Profit for the Year	–	–	–	34,936	34,936
Appropriation for the Year	–	4,606	–	(4,606)	–
Total Recognised Income and Expense for the Year	–	4,606	(949)	30,330	33,987
Closing balance at 31 March 2009	116,849	28,132	(375)	163,859	308,465
Previous 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:					
Transactions with Equity Holders:					
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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2009

Company	Share Capital	Foreign Exchange Translation Reserve	(Accumulated Losses)/ Retained Earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Current Year:				
Opening Balance at 1 April 2008	116,849	2,114	(4,000)	114,963
Items of Income and Expense Recognised Directly in Equity:				
Exchange Differences on Translating of Financial Statements of Parent	–	(14,456)	–	(14,456)
Net Income Recognised Directly in Equity	–	(14,456)	–	(14,456)
Profit for the Year	–	–	12,494	12,494
Total Recognised Income and Expenses for the Year	–	(14,456)	12,494	(1,962)
Closing balance at 31 March 2009	116,849	(12,342)	8,494	113,001
Previous Year:				
Opening Balance at 1 April 2007	116,849	2,599	(6,818)	112,630
Items of Income and Expense Recognised Directly in Equity:				
Exchange Differences on Translating of Financial Statements of Parent	–	(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:				
Transactions with Equity Holders:				
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

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

CONSOLIDATED CASH FLOW STATEMENTS

YEAR ENDED 31 MARCH 2009

	2009 RMB'000	2008 RMB'000
Cash flows from operating activities		
Profit Before Tax	42,094	72,558
Amortisation of Land Use Rights	90	–
Depreciation of Property, Plant and Equipment	3,157	3,235
Loss / (Gain) on Disposal of Property, Plant and Equipment	18	(1)
Allowance for Impairment –Trade Receivables	3,531	–
Net Effect of Exchange Rate Changes in Translation of Financial Statements of Parent	(896)	(134)
Interest Expense	530	92
Interest Income	(277)	(264)
Operating Cash Flows before Changes in Working Capital	48,247	75,486
Inventories	(19,360)	(10,597)
Trade and Other Receivables	32,511	(46,665)
Other Assets	(9,116)	(7,125)
Trade and Other Payables	2,645	11,135
Other Liabilities	153	1,410
Net Cash Flows from Operations Before Interest and Tax	55,080	23,644
Income Taxes Paid	(8,346)	(10,016)
Net Cash Flows From Operating Activities	46,734	13,628
Cash Flows From Investing Activities		
Acquisition of subsidiary (net of cash acquired) (Note 25)	28,128	–
Payment for land use rights	(2,602)	–
Proceeds from Disposal of Property, Plant and Equipment	47	13
Purchase of Property, Plant and Equipment	(69,707)	(27,670)
Interest Received	277	264
Net Cash Flows Used in Investing Activities	(43,857)	(27,393)
Cash Flows From Financing Activities		
Dividends Paid	–	(6,154)
Increase/(Decrease) in Other Finance Liabilities	1,346	(69)
Interest Paid	(530)	(92)
Net Cash Flows From (Used in) Financing Activities	816	(6,315)
Net Increase (Decrease) in Cash and Cash Equivalents	3,693	(20,080)
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	108,928	129,008
Cash and Cash Equivalents, Cash Flow Statement, Ending Balance (Note 19)	112,621	108,928

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

NOTES TO FINANCIAL STATEMENT

YEAR ENDED 31 MARCH 2009

1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Chinese Renminbi (“RMB”) and they cover the parent and the Group’s subsidiaries. The financial statements were approved and authorised for issue by the board of directors on 29 May 2009.

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

The principal activities of the subsidiaries in the Group are described in Note 16 below.

The registered office is: 8 Cross Street, #11-00 PWC Building, Singapore 048424. Its main operations are in China.

The Group’s business activities like others in many countries in the region and elsewhere, including Singapore, are experiencing severe economic difficulties as a consequence of the current turmoil in the world’s financial markets. This has resulted in violent fluctuations in foreign currency exchange rates, volatile stock and commodity markets, uncertainty of the availability of bank finance to suppliers and customers and a slowdown in growth. The current financial crisis have significantly affected, and will continue to have an adverse impact on the company’s business, financial condition, results of operations, cash flows and prospects for the foreseeable future. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition the notes the financial statements include the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with some good arrangements with a number of customers and suppliers. As a consequence, the management believes that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the management has a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) as well as all related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council 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.

2. Summary of Significant Accounting Policies (Cont'd)

Basis of presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the end of the reporting year 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 which is the date on which effective control is obtained of the acquired business until that control ceases. 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.

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.

2. Summary of Significant Accounting Policies (Cont'd)

Employee Benefits

Certain subsidiaries operate a defined contribution provident fund scheme, in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund are held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. Contributions are charged to the income statement in the period to which they relate. This plan is in addition to the contributions to government managed retirement benefit plans such as the Central Provident Fund in Singapore which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans. 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 base 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 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 end of the reporting year 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.

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 end of the reporting year, 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 RMB4.48833 to S$ 1.00 (2008: RMB5.0875 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 Other Entities

Each 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 that investee.

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.

2. Summary of Significant Accounting Policies (Cont'd)

Business Combinations

Business combinations are accounted for by applying the purchase method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is accounted for as "negative goodwill". The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed.

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

Where fair values are estimated on a provisional basis they are finalised within 12 months of acquisition with consequent changes to the amount of goodwill.

Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at fair value as part of the business combination process. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Irrespective of whether there is any indication of impairment, goodwill (and also an intangible asset with an indefinite useful life or an intangible asset not yet available for use) are tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

2. Summary of Significant Accounting Policies (Cont'd)

Goodwill (Cont'd)

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Property, 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:

Property, 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.

Property, 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 property, 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.

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.

Intangible Assets

An intangible asset that is an identifiable non-monetary asset without physical substance is recognised at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use.

2. Summary of Significant Accounting Policies (Cont'd)

Intangible Assets (Cont'd)

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Land Use Rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights – 2%

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.

2. Summary of Significant Accounting Policies (Cont'd)

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.

Impairment of Non-Financial Assets

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. The carrying amount of other non-financial assets is reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down through the income statement to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement. 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.

2. Summary of Significant Accounting Policies (Cont'd)

Financial Assets

Initial recognition and measurement and derecognition of financial assets:

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 and loss are expensed immediately. The transactions are recorded at the trade date.

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.

Subsequent measurement:

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 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. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. 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. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically 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)

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.

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 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 end of the reporting year.

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 as 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 current 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.

Fair Value of Financial Instruments

The carrying values of current financial assets and financial liabilities approximate their fair values due to the short-term maturity of these instruments. Disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant items at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. 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.

2 Summary of Significant Accounting Policies (Cont'd)

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. 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.

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 ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

2 Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

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. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year.

Useful lives of plant and equipment:
The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific class of assets at the end of the reporting year affected by the assumption is RMB119,232,000.

3. Related Party Transactions

FRS 24 Defines a related party as 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. Related Party Transactions (Cont'd)

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.

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

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	
	2009	2008
	RMB'000	RMB'000
Acquisition of subsidiary	9,000	–
Sales of goods (*)	55,362	68,006
Rental expenses	5,294	3,280
Purchase of goods	1,961	5,747
Freight charges	2,779	2,316
Purchase of property, plant and equipment	410	482
(*) Included in these amounts are export sales to overseas customers through a related party:	29,421	40,794

3. Related Party Transactions (Cont'd)

3.3 Key management compensation:

	Group	
	2009	2008
	RMB'000	RMB'000
Salaries and other short-term employee benefits	4,836	6,255

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

	2009	2008
	RMB'000	RMB'000
Remuneration of directors of the Company	2,101	3,415
Fees to directors of the Company	1,268	1,514

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.

3.4. 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:

	Group		Company	
	2009	2008	2009	2008
Directors:	RMB'000	RMB'000	RMB'000	RMB'000
<u>Other receivables/(other payables):</u>				
Balance at beginning of year	(171)	(135)	(171)	(135)
Amounts paid out during the year	1,612	3,379	2,110	3,379
Amounts received and charges during the year	(2,102)	(3,415)	(2,102)	(3,415)
Net balance at end of year (Note 23)	(661)	(171)	(163)	(171)

3. Related Party Transactions (Cont'd)

3.4. Other receivables from and other payables to related parties: (Cont'd)

	Group	
	2009	2008
Other related parties:	**RMB'000**	**RMB'000**
Other receivables/(other payables):		
Balance at beginning of year	(116)	(1)
Amounts paid out during the year	3,010	84
Amounts received and charges during the year	(18,445)	(199)
Net balance at end of year (Note 23)	(15,551)	(116)

The transactions in the directors accounts related to accrued and repayment of payroll costs of the directors. The year end balance represent accrued salaries that 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 Group is organised into five 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 non-electric tubes.

(iii) The industrial detonators segment is a manufacturer of non-electric 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) The ammonium nitrate segment is a manufacturer of ammonium nitrate which is a major raw material used primarily for the manufacture of explosives.

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

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

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.

Segment information about these businesses is presented below: -

Business segments

31 March 2009	Explosives devices RMB'000	Industrial fuse and initiating devices RMB'000	Industrial detonators RMB'000	Ammonium Nitrate RMB'000	Others RMB'000	Total RMB'000
Revenue	69,274	71,510	49,934	18,895	1,282	210,895
Segmental results	14,457	34,478	18,406	700	925	68,966
Interest income						277
Finance costs						(530)
Unallocated corporate expenses						(26,619)
Profit before taxation						42,094
Income tax expenses						(7,158)
Net profit attributable to shareholders						34,936
Other information:						
Segmental assets	51,154	6,167	89,244	124,114	–	270,679
Unallocated corporate assets						239,006
Total assets						509,685
Segmental liabilities	716	520	1,500	101,578	–	104,314
Unallocated segmental liabilities						96,906
Total liabilities						201,220
Capital expenditure	24,734	191	65,789	13,178	–	103,892
Unallocated capital expenditure						732
Total capital expenditure						104,624
Depreciation and amortisation	1,070	325	357	440	–	2,192
Unallocated depreciation						1,055
Total depreciation and amortisation						3,247
Non-cash expenses other than depreciation	–	–	–	–	–	3,549

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

31 March 2008	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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 (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:

	2009	2008
	RMB'000	RMB'000
Assets		
Property, Plant and Equipment	4,090	4,028
Inventories	29,512	15,517
Trade and Other Receivables	109,410	138,170
Other Assets	20,127	8,769
Cash and Cash Equivalents	75,867	108,928
	239,006	275,412
Liabilities		
Income Tax Payable	4,266	5,455
Trade and Other Payables	90,784	41,820
Other Liabilities	1,564	1,532
Other Financial Liabilities	292	401
	96,906	49,208

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:-

	Revenue	Segment Assets	Capital Expenditure
31 March 2009	RMB'000	RMB'000	RMB'000
Within PRC	163,188	508,955	104,609
Outside PRC:			
Sales through export distributors	14,034	–	–
Australia	26,083	–	–
South Africa	4,153	–	–
Singapore	–	730	15
Others (*)	3,437	–	–
Subtotal	47,707	730	15
	210,895	509,685	104,624

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

Geographical segments (Cont'd)

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

(*) Others include Kyrgyzstan, Mongolia, etc.

5. Revenue

	Group 2009 RMB'000	Group 2008 RMB'000
Sale of goods	210,895	239,447

6. Interest Income and (Finance Costs)

	Group 2009 RMB'000	Group 2008 RMB'000
Interest income	277	264
Bank interest expense	(511)	(68)
Finance lease interest expense	(19)	(24)
	(253)	172
Presented in the income statement as:		
Interest income	277	264
Finance costs	(530)	(92)
	(253)	172

7. Other Credits and (Other Charges)

	Group 2009	2008
	RMB'000	RMB'000
Foreign exchange adjustment gain	1,126	98
(Loss) / Gain on disposal of property, plant and equipment	(18)	1
Government Grant	550	–
Allowance for impairment – trade receivables	(3,531)	–
Inventories written off	–	(260)
	(1,873)	(161)
Presented in the income statement as:		
Other credits	1,676	99
Other charges	(3,549)	(260)
	(1,873)	(161)

8. Employee Benefit Expense

	Group 2009	2008
	RMB'000	RMB'000
Employee benefits expense	27,577	19,249
Contributions to defined contribution plans	4,176	2,658
Total employee benefits expense	31,753	21,907

9. Income Tax Expense

	Group 2009	2008
	RMB'000	RMB'000
Current tax expense	7,158	12,250

9. Income Tax Expense (Cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2008: 18%) to profit before income tax as a result of the following differences:

	Group	
	2009	2008
	RMB'000	RMB'000
Tax rate reconciliation:		
Profit before tax	42,094	72,558
Income tax expense at statutory rate	7,156	13,060
Not deductible items	2,208	2,552
Effect of different tax rate in foreign country	3,969	9,916
Tax exemptions	(6,175)	(13,278)
Total income tax expense	7,158	12,250
Effective tax rate	17.0%	16.9%

One of the subsidiaries in PRC 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, this subsidiary is subject to tax at half the prevailing statutory income tax rate. With effect from 1 January 2008, the PRC statutory income tax rate of 33% has been reduced to 25%.

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

In 2009, the Singapore government enacted a change in the statutory income tax rate from 18% to 17%.

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	
	2009	2008
The calculation of earnings per share is as follows:		
Net profit for the year attributable to members of the Company (RMB'000)	34,936	60,308
Weighted average number of ordinary shares on issue for basic earnings per share ('000)	234,000	234,000

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	
	2009	2008
	RMB'000	RMB'000
Final tax exempt (1-tier) dividend paid of Nil RMB cents (2008: 2.63 RMB cents) per share	–	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	
	2009	2008
	RMB'000	RMB'000
Non-audit fees paid to the statutory auditors of the Company included under administrative expenses	17	25

NOTES TO FINANCIAL STATEMENT

YEAR ENDED 31 MARCH 2009

13. Property, Plant and Equipment

Group	Property, Plant and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:			
At 1 April 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
Arising from acquisition of subsidiary	38,788	15,862	54,650
Additions	38,339	31,368	69,707
Reclassification	54,345	(54,345)	–
Disposals	(118)	–	(118)
Foreign exchange adjustments	(74)	–	(74)
At 31 March 2009	158,198	19,230	177,428
Accumulated depreciation and impairment:			
At 1 April 2007	3,403	–	3,403
Depreciation for the year	3,235	–	3,235
Disposals	(1)	–	(1)
Foreign exchange adjustments	2	–	2
At 31 March 2008	6,639	–	6,639
Arising from acquisition of subsidiary			
– depreciation	9,433	–	9,433
– impairment	19,811	–	19,811
Depreciation for the year	3,157	–	3,157
Disposals	(53)	–	(53)
Foreign exchange adjustments	(21)	–	(21)
At end of year 31 March 2009	38,966	–	38,966
Net book value:			
At 1 April 2007	20,287	1,918	22,205
At 31 March 2008	20,279	26,345	46,624
At 31 March 2009	119,232	19,230	138,462

13. Property, Plant and Equipment (Cont'd)

Company	Plant and equipment RMB'000
Cost:	
At 1 April 2007	1,095
Additions	13
Foreign exchange adjustments	(2)
At 31 March 2008	1,106
Additions	15
Foreign exchange adjustments	(74)
At 31 March 2009	1,047
Accumulated depreciation:	
At 1 April 2007	393
Depreciation for the year	230
Foreign exchange adjustments	2
At 31 March 2008	625
Depreciation for the year	67
Foreign exchange adjustments	(21)
At end of year 31 March 2009	671
Net book value:	
At 1 April 2007	702
At 31 March 2008	481
At 31 March 2009	376

i) The net book value of the equipment held under finance lease as at 31 March 2009 amounted to approximately RMB359,000 (2008: RMB466,000) for both the Group and Company.

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

13. Property, Plant and Equipment (Cont'd)

iii) The depreciation expense is charged as follows:

	Cost of sales	Administrative expenses	Provision for safety expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
2009	2,225	932	–	3,157
2008	1,792	924	519	3,235

14. Intangible Assets

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Goodwill – provisional value	20,001	–	–	–

The goodwill arose from acquisition of a subsidiary during the financial year (Note 25). The provisional values identified from the acquisition is subject to finalisation of valuation work by a professional valuer.

15. Other Assets

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current:				
Land use rights (Note 15A)	45,026	–	–	–
Subtotal	45,026	–	–	–
Current:				
Prepayments	415	683	97	525
Advances to suppliers	26,295	7,576	–	–
Advances to staff	790	668	–	–
Subtotal	27,500	8,927	97	525
	72,526	8,927	97	525

15. Other Assets (Cont'd)

15A Land Use Rights

	Group 2009 RMB'000	Group 2008 RMB'000
Cost:		
At 1 April 2008	–	–
Acquisition of subsidiary	10,603	–
Addition for the year	34,917	–
At 31 March 2009	45,520	–
Accumulated amortisation:		
At 1 April 2008	–	–
Acquisition from subsidiary	404	–
Amortisation for the year	90	–
At 31 March 2009	494	–
Net book value:		
At 1 April 2008	–	–
At 31 March 2009	45,026	–

(i) Included in the land use rights is a plot of land at Fei Country, Linyi City on which certain of the Group's production facilities are located. As at 31 March 2009, the Group had not obtained the legal title to this land. The Group has estimated the cost of the land use rights to be RMB 14.3 million, of which RMB 2.6 million was already paid.

(ii) The Group has obtained the legal title to the land use rights for the land at Zaozhuang City during the year. However, the consideration for this plot of land has yet to be finalised with the local government authorities. The cost of the land use rights, included in the financial statements, has been estimated to be RMB 20.6 million by the management.

Detail of the Group's land use rights (excluding the land located in Fei Country, Linyi City):

Address	Land Area (Sq m)	Date of Grant	Lease Expiry Date
Section of Chenlin, North to the Han-Lin Highway, Linxi County, Xingtai City	127,402.2	10 January 2007	April 2055
Shanting District, North town, Tieshan Village, East of Huangshan, Zaozhuang City	90,464.1	24 December 2008	17 October 2058

16. Investment in Subsidiaries

	Company	
	2009	2008
	RMB'000	RMB'000
Unquoted equity shares at cost to Company	113,143	113,143
Foreign currency translation difference	(11,967)	1,539
	101,176	114,682
Net book value of subsidiaries	286,800	274,197

The subsidiaries held by the Company are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities	Cost of the Investment		Percentage of equity held by Group	
	2009	2008	2009	2008
	RMB'000	RMB'000	%	%
Shandong Yinguang Technology Co., Ltd. People's Republic of China Production and sale of commercial explosive products (a)	113,143	113,143	100	100
<u>Held by Shandong Yinguang Technology Co., Ltd:</u>				
Hebei Yinguang Chemical Co., Ltd. People's Republic of China Production and sale of ammonium nitrate (a)	10,161	–	100	–

(a) The statutory financial statements for compliance with the laws of PRC are audited by Xinlianyi Certified Public Accountants Co., Ltd, Linyi 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.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited the audit committee and the board of directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

17. Inventories

	Group	
	2009	2008
	RMB'000	RMB'000
Raw materials	32,834	16,543
Work-in-progress	737	313
Finished goods	13,430	5,979
	47,001	22,835
Included in cost of sales:		
Changes in inventories of finished goods and work in progress	(7,875)	(1,258)
Raw materials and consumables used	90,463	110,331
The write off of inventories charged to income statement included in other charges	–	(260)

There are no inventories pledged as security for liabilities.

18. Trade and Other Receivables

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	91,721	97,175	–	–
Less allowance for impairment	(3,692)	–	–	–
Related party (Note 3)	29,453	39,143	–	–
Sub-total	117,482	136,318	–	–
Other receivables:				
Other receivables	1,738	1,852	1	–
Less allowance for impairment	(146)	–	–	–
Subsidiary (Note 3)	–	–	14,688	4,553
Sub-total	1,592	1,852	14,689	4,553
Total trade and other receivables	119,074	138,170	14,689	4,553

NOTES TO FINANCIAL STATEMENT

YEAR ENDED 31 MARCH 2009

18. Trade and Other Receivables (Cont'd)

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Movement in the above allowance – trade receivables				
Balance at beginning of year	–	–	–	–
Acquisition of subsidiary	(161)	–	–	–
Charge for trade receivables to income statement in other charges	(3,531)	–	–	–
Balance at end of year	(3,692)	–	–	–
Movement in the above allowance – other receivables				
Balance at beginning of year	–	–	–	–
Acquisition of subsidiary	(146)	–	–	–
Balance at end of year	(146)	–	–	–

19. Cash and Cash Equivalents

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Not restricted in use	112,621	108,928	256	528
Interest earning balances	112,621	108,928	–	–

The rate of interest for the cash on interest earning account is 1.0% (2008: 1.0%) per annum.

20. Share Capital

	Group and Company		
	Number of shares issued	Share capital	Issued share capital
		S$	RMB Equivalent
Ordinary shares of no par value			
Balance at beginning of year 1 April 2007 and at end of year 31 March 2008 and 2009	234,000,000	23,458,985	116,848,607

20. Share Capital (Cont'd)

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. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit 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 Group has significant borrowings but the borrowings are less than the cash available. The debt-to-adjusted capital ration does not provide a meaningful indicator of the risk of borrowings.

21. Other Reserves

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency translation reserve	(375)	574	(12,342)	2,114
Statutory reserve	28,132	23,526	–	–
	27,757	24,100	(12,342)	2,114

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.

22. Other Financial Liabilities

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Finance leases (Note 22A)	226	331	226	331
Current:				
Finance leases (Note 22A)	66	70	66	70
Bank loans I (Note 22B)	8,000	–	–	–
Bank loans II (Note 22C)	15,000	–	–	–
Third party loan (Note 22D)	26,622	–	–	–
Current, total	49,688	70	66	70
Total	49,914	401	292	401

22A Finance leases

2009	Minimum payments	Finance charges	Present value
	RMB'000	RMB'000	RMB'000
Minimum lease payments payable:			
Due within 1 year	80	14	66
Due within 2 to 5 years	246	20	226
Total	326	34	292
Net book value of plant and equipment under finance leases			359

2008	Minimum payments	Finance charges	Present value
	RMB'000	RMB'000	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

22. Other Financial Liabilities (Cont'd)

22A Finance leases (Cont'd)

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 2009, the average effective borrowing rate is 6.61% (2008: 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.

22B Bank Loans I

The short-term bank loans are secured on the land and buildings of a subsidiary with net book value of approximately RMB 11.1 million. They bear fixed interest rates between 6.1065% and 8.217% per annum.

22C Bank Loans II

The short-term bank loans of RMB 15 million are secured by a corporate guarantee from a related party and a guarantee from government bureau in Linxi County. They bear fixed interest rates between 6.93% and 13.68% per annum.

22D Third Party Loan

This loan represents amount due to the previous owner of Hebei Yinguang Chemical Co., Ltd prior to the taking over by Shandong Yinguang Chemical Group Co., Ltd., a related party. It includes an amount of RMB 9.8 million which bears fixed interest at 12% per annum and the balance is interest-free. These amounts are expected to be paid by end of October 2009.

23. Trade and Other Payables

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Outside parties and accrued liabilities	41,063	26,084	3,090	5,234
Bills payable	30,000	–	–	–
Related parties (Note 3)	1,397	699	–	–
VAT payables	6,434	7,762	–	–
Subtotal	78,894	34,545	3,090	5,234
Other payables:				
Related parties (Note 3)	15,551	116	–	–
Director (Note 3)	661	171	163	171
Payable for land use rights	32,315	–	–	–
Outside parties	16,636	8,786	48	–
Subtotal	65,163	9,073	211	171
Total trade and other payables	144,057	43,618	3,301	5,405

24. Other Liabilities

	Group	
	2009	2008
	RMB'000	RMB'000
Advances from customers	2,009	1,532

25. Acquisition of Subsidiary

On 31 October 2008, the Group acquired 100% of the share capital of Hebei Yinguang Chemical Co., Ltd (incorporated in People's Republic of China) from a related party for a cash consideration RMB10,161,000 (inclusive of transaction costs of RMB1,161,000). The transaction was accounted for by the purchase method of accounting.

The fair value shown below for Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang") are provisional as the hindsight period allowed by financial reporting standards has not yet expired. A detailed expert report on the fair value of Hebei Yinguang's assets and liabilities is expected to be available before the end of 2009.

	Pre-acquisition Book value Under FRS	Provisional fair values
	RMB'000	RMB'000
Property, plant and equipment	25,406	25,406
Land use rights	10,199	10,199
Inventories	4,806	4,806
Other assets	9,457	9,457
Trade and other receivables	16,946	16,946
Cash and cash equivalents	38,289	38,289
Income tax payable	(973)	(973)
Other financial liabilities	(48,167)	(48,167)
Trade and other payables	(65,479)	(65,479)
Other liabilities	(324)	(324)
Net assets	(9,840)	(9,840)
Goodwill – provisional value		20,001
Cost of acquisition		10,161
Satisfied by:		
Cash consideration		10,161
Cash balance acquired		(38,289)
Net cash inflow on acquisition		(28,128)

25. Acquisition of Subsidiary (Cont'd)

The contributions from the acquired subsidiary for the period between the date of acquisition and the end of the year were as follows:

	From date of acquisition till 31 March 2009	For the year ended 31 March 2009
	RMB'000	RMB'000
Revenue	18,895	58,092
Profit before income tax	202	982

26. Financial Instruments: Information on Financial Risks

26A 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	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Cash and cash equivalents	112,621	108,928	256	528
Loans and receivables	119,074	138,170	14,689	4,553
At end of year	231,695	247,098	14,945	5,081
Financial liabilities:				
Borrowings at amortised cost	49,914	401	292	401
Trade and other payables at amortised cost	144,057	43,618	3,301	5,405
At end of year	193,971	44,019	3,593	5,806

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

26B 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:

1. Minimise interest rate, currency and market risk for all kinds of transactions.

2. 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.

3. All financial risk management activities are carried out and monitored by senior management staff.

4. All financial risk management activities are carried out following the good market practices.

26C 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 with banks and derivative financial instruments is limited because the counter-parties are banks with acceptable 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.

As is disclosed in Note 19 cash and cash equivalents balances are amounts with a less than 90-day maturity.

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

26C Credit Risk on Financial Assets (Cont'd)

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to non-related party trade receivable customers is about 90 days (2008: 90 days). But some customers take a longer period to settle the amounts. The table below illustrates the ageing analysis:

	Group	
	2009	2008
	RMB'000	RMB'000
Trade receivables:		
Less that 30 days	33,097	39,359
31 - 60 days	13,288	21,983
61 - 90 days	17,849	32,294
91 - 180 days	40,809	42,078
Over 180 days	16,131	604
At end of year	121,174	136,318

	Group	
	2009	2008
	RMB'000	RMB'000
The total of overdue accounts was	46,845	38,270
The total settled after the year end was about	15,932	7,454

The allowance is based on individual accounts totalling RMB3,692 (2008: RMB Nil) that are determined to be impaired at the year end date. These are not secured.

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

	Group	
	2009	2008
	RMB'000	RMB'000
Concentration of trade receivable customers:		
Top 1 customer	25,606	39,143
Top 2 customers	35,861	61,667
Top 3 customers	42,712	70,044

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

26D Liquidity Risk

The liquidity risk is managed on the basis on expected maturity dates of the financial liabilities. The financial liabilities of the Group and the Company are contractually matured within one year.

The average credit period taken to settle trade payables is about 90 days. The other payables are with short-term durations.

It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitment the operating activity is expected to generate sufficient cash inflows.

26E Interest Rate Risk

The following table analyses the breakdown by type of interest rate:

	Group		Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Floating rates	112,365	108,400	–	–
Non-interest bearing	119,330	138,698	14,945	5,081
At end of year	231,695	247,098	14,945	5,081
Financial liabilities:				
Fixed rates	33,093	401	292	401
Non-interest bearing	160,878	43,618	3,301	5,405
At end of year	193,971	44,019	3,593	5,806

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

26E Interest Rate Risk (Cont'd)

Sensitivity analysis:

	Group	
	2009	2008
	RMB'000	RMB'000
A hypothetical decrease in interest rates by 50 basis points would have a adverse effect on profit before tax of	562	542
A hypothetical decrease in interest rates by 100 basis points would have a adverse effect on profit before tax of	1,124	1,084
A hypothetical decrease in interest rates by 150 basis points would have a adverse effect on profit before tax of	1,685	1,626
A hypothetical decrease in interest rates by 200 basis points would have a adverse effect on profit before tax of	2,247	2,168

The analysis has been performed separately for fixed interest rate and floating interest rate financial assets and liabilities. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses.

26F Foreign Currency Risks

Analysis of above amount denominated in foreign currency:

Group	Cash and cash equivalents	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Financial assets:			
At 31 March 2009			
Singapore Dollars	256	1	257
At 31 March 2008			
Singapore Dollars	528	–	528

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

26F Foreign Currency Risks (Cont'd)

Group	Other financial liabilities	Trade and other payables	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities:			
At 31 March 2009			
Singapore Dollars	292	3,301	3,593
At 31 March 2008			
Singapore Dollars	401	5,405	5,806

Company	Cash and cash equivalents	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Financial assets:			
At 31 March 2009			
Singapore Dollars	256	14,689	14,945
At 31 March 2008			
Singapore Dollars	528	4,553	5,081

	Other financial liabilities	Trade and other payables	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities:			
At 31 March 2009			
Singapore Dollars	292	3,301	3,593
At 31 March 2008			
Singapore Dollars	401	5,405	5,806

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

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

27. 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	
	2009	2008
	RMB'000	RMB'000
Commitments to purchase property, plant and equipment	16,235	35,204
Commitment to acquire investment	–	24,100
	16,235	59,304

28. Operating Lease Payment Commitments

At the end of the reporting year, the total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Not later than one year	8,280	5,314
Later than one year and not later than five years	4,690	13,343
Rental expense for the year	5,294	3,280

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 and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amounts.

29. Changes and Adoption of Financial Reporting Standards

For the year ended 31 March 2009, 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
INT FRS 111	FRS102 - Group and Treasury Share Transactions (*)
INT FRS 112	Service Concessions Arrangements (*)
INT FRS 114	FRS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (*)

(*) Not relevant to the entity.

30. Future Changes in Financial Reporting 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 are not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Presentation of Financial Statements (Revised)	1.1.2009
FRS 23	Borrowing Costs	1.1.2009
FRS 103	Business Combinations and consecutive amendments in other Standards (Revised)	1.1.2009
FRS 108	Operating Segments	1.1.2009
INT FRS 113	Customer Loyalty Programs (*)	1.7.2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1.10.2008
INT FRS 117	Distributions of Non-cash Assets to Owners	1.7.2009

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

AS AT 18 JUNE 2009

Issued and fully paid-up capital	:	RMB116,848,607
No. of shares issued	:	234,000,000
No./% of treasury shares	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	634	52.23	4,204,000	1.80
10,001 - 1,000,000	566	46.62	30,467,000	13.02
1,000,001 and above	14	1.15	199,329,000	85.18
Total :	1,214	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	Bao Hongwei	4,683,000	2.00
6	Tan Geok Bee	4,231,000	1.81
7	Citibank Nominees Singapore Pte Ltd	3,065,000	1.31
8	Raffles Nominees Pte Ltd	2,590,000	1.11
9	HL Bank Nominees (S) Pte Ltd	2,090,000	0.89
10	Bank of China Nominees Pte Ltd	1,818,000	0.78
11	Phillip Securities Pte Ltd	1,211,000	0.52
12	Toh Cho Boon	1,022,000	0.44
13	Chua Sek How	1,010,000	0.43
14	Merrill Lynch (S'pore) Pte Ltd	1,005,000	0.43
15	Sino Horizon Group Limited	1,000,000	0.43
16	Citibank Consumer Nominees Pte Ltd	921,000	0.39
17	CIMB-GK Securities Pte. Ltd.	750,000	0.32
18	UOB Kay Hian Pte Ltd	740,000	0.32
19	Hong Pian Tee	692,000	0.30
20	OCBC Securities Private Ltd	606,000	0.26
	Total :	204,038,000	87.21

STATISTICS OF SHAREHOLDINGS

AS AT 18 JUNE 2009

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 18 June 2009.

	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%
Bao Hongwei (4)	4,683,000	2.00%	8,604,000	3.68%

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.

(4) Mr Bao Hongwei is deemed to be interested in the shares held by Lombard Inc. by virtue of Section 7 of the Singapore Companies Act.

Free Float

As at 18 June 2009, approximately 20.7% 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, 27 July 2009 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2009 together with the Directors' Report and Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' Fees of S$262,000 for the financial year ended 31 March 2009 (2008: S$300,000). **Resolution 2**

3. 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. **Resolution 3**

   Dr Lim Seck Yeow will, upon re-appointment as Director of the Company, remain as 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 Nominating Committee and Remuneration Committee.

4. To re-elect Mr Lim Hui Min John who is retiring under Article 107 of the Articles of Association. **Resolution 4**

   Mr Lim Hui Min John, will upon re-election as Director of the Company, remain as Chairman 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 a member of the Nominating Committee and Remuneration Committee.

5. To re-elect Mr Sun Bowen who is retiring under Article 107 of the Articles of Association. **Resolution 5**

6. To re-elect Mr Bao Hongwei who is retiring under Article 107 of the Articles of Association. **Resolution 6**

7. To re-appoint Messrs RSM Chio Lim LLP, Certified Public Accountants, as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

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

NOTICE OF 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: -

9. SHARE ISSUE MANDATE **Resolution 8**

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 (the "Act") and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to:

(i) issue shares in the capital of the Company whether by way of bonus issue, rights issue or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and/or

(iii) issue additional Instruments convertible into shares arising from adjustments made to the number of Instruments,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of any Instruments made or granted pursuant to this Resolution):

(a) by way of renounceable rights issues on a pro-rata basis to shareholders of the Company ("Renounceable Rights Issues") shall not exceed 100 percent of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in paragraph (3) below); and

(b) otherwise than by way of Renounceable Rights Issues ("Other Shares Issues") shall not exceed 50 percent of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 20 percent, of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below);

(2) the Renounceable Rights Issues and Other Shares Issues shall not, in aggregate, exceed 100 percent of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in paragraph (3) below);

(3) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1)(a) and (1)(b) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities or shares options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

   (ii) any subsequent bonus issue or consolidation or subdivision of shares;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(5) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)]

10. <u>PLACEMENT OF SHARES UNDER THE SHARE ISSUE MANDATE AT MORE THAN 10% DISCOUNT</u> Resolution 9

"THAT notwithstanding Rule 811 of the Listing Manual, the Directors of the Company be and are hereby authorised to issue shares and/or Instruments other than on a pro-rata basis pursuant to the aforesaid general mandate at a discount not exceeding 20 percent to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares and/or Instruments is executed, provided that:-

(a) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(b) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (ii)]

11. <u>PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS</u> Resolution 10

"THAT:-

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, for the Company, its Subsidiaries and Associated Companies or any of them to enter into any of the transactions falling within the types of the Interested Person Transactions, particulars of which are set out in the Appendix to this Notice of Annual General Meeting, with any party who is of the class of Interested Persons described in the Appendix to this Notice of Annual General Meeting, provided that such transactions are in accordance with the review procedures for Interested Person Transactions as set out in the Appendix to this Notice of Annual General Meeting;

(b) the approval given in sub-paragraph (a) above ('the Mandate") shall unless revoked or varied by the Company in general meeting continue in force until the next Annual General Meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendments to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and

(d) the Directors of the Company be and are hereby authorised, jointly or severally, to take such steps and exercise such discretion as the Directors of the Company may in their absolute discretion deem fit, advisable or necessary to give effect to the Mandate and/or this Resolution."

BY ORDER OF THE BOARD

TAN MIN-LI
COMPANY SECRETARY
SINGAPORE

10 July 2009

Explanatory Notes: -

(i) Resolution No. 8 above, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments; up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Shares Issues, of which up to 20% may be issued other than on a pro-rata basis to shareholders, provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares) in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution No. 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share option or vesting of share awards which are outstanding or subsisting at the time that Resolution No. 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

The authority for undertaking 100% Renounceable Rights Issues is proposed pursuant to the SGX-ST's news release of 19 February 2009 which introduced further measures to accelerate and facilitate the fund raising efforts of listed issuers.

(ii) Resolution No. 9 is to authorise the Directors to issue new shares to subscribers or placees at a discount of not more than 20% to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed.

The maximum pricing discount of 20% is proposed pursuant to the SGX-ST's news release of 19 February 2009 which introduced further measures to accelerate and facilitate the fund raising efforts of listed issuers.

Notes: -

(a) 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.

(b) A proxy need not be a member of the Company.

(c) The instrument appointing a proxy must be deposited at the Company's registered office at 8 Cross Street, #11-00 PWC Building, Singapore 048424 at least 48 hours before the time of the Meeting.

FABCHEM CHINA LIMITED

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

IMPORTANT:

1. For investors who have used their CPF monies to buy the Company's 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.

PROXY FORM

I/We ____

of ____

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of Shares	%

Or failing him/her, the Chairman of the Meeting 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 the 27th day of July, 2009 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. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Ordinary Resolutions	For	Against
Ordinary Business			
1.	To adopt the Audited Financial Statements, Directors' Report and Auditors' Report of the Company for the financial year ended 31 March 2009.		
2.	To approve the payment of Directors' Fees for the financial year ended 31 March 2009.		
3.	To re-appoint Dr Lim Seck Yeow as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50.		
4.	To re-elect Mr Lim Hui Min John as a Director under Article 107.		
5.	To re-elect Mr Sun Bowen as a Director under Artcle 107.		
6.	To re-elect Mr Bao Hongwei as a Director under Article 107.		
7.	To re-appoint RSM Chio Lim LLP as Auditors and authorise Directors to fix their remuneration.		
Special Business			
8.	Approval of Share Issue Mandate.		
9.	Approval of placement of shares under the Share Issue Mandate at more than 10% discount.		
10.	Proposed renewal of the shareholders' mandate for Interested Person Transactions.		

Dated this __________ day of ______________ 2009.

Number of shares held

____

Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

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 8 Cross Street, #11-00 PWC Building, Singapore 048424 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.

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