UNLEASHING POTENTIAL

FABCHEM CHINA LIMITED | ANNUAL REPORT 2010

CONTENTS

LEAPING TO NEW HEIGHTS

53.0%	35.1%
REVENUE INCREASE	NET PROFIT INCREASE

Equipped with a proven track record and robust dynamism in a supply-regulated industry, this financial year saw Fabchem put forth strong results, with revenue and net profit posting an increase of 53.0% and 35.1% respectively.

The potential doesn't stop there. Our commercial explosives products play a key role in maximising the business potential and economic benefits in sectors such as mining, infrastructure, hydroelectricity, and oil and gas exploration.

Marketed globally to resource-rich countries such as China, Australia and Indonesia, Fabchem is also making inroads into other unexplored overseas markets with large latent potential waiting to be uncovered.

ABOUT US

Established in Shandong, China since 1979, and listed on the Mainboard of Singapore Exchange Securities Trading Limited in April 2006, Fabchem is one of the leading manufacturers of initiation systems in the People's Republic of China ("China"). Within a supply-regulated industry, 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 subsidiary, Shandong Yinguang Technology Co., Ltd, is the pioneer and market leader in the production of boosters in China. Our boosters are tested and certified by Universal Tech Corporation R&D Laboratory, an authorised inspection institute for initiating explosive devices based in United States of America.

Fabchem's initiation system products are sold to more than 150 customers in the mining, energy exploration, hydroelectric and infrastructure construction industries across more than 10 countries, including China, Australia, Indonesia, Mongolia, India, Kazakhstan and Kyrgyzstan. Fabchem's products are sold under the brand name "Yinguang" in China, and also marketed internationally to other major resource-rich countries. The Group also undertakes original equipment manufacturing for renowned global commercial explosives companies.

KEY PRODUCTS

EXPLOSIVE DEVICES

Explosive devices, such as boosters, seismic charges and tube charges. Boosters are used to enhance the power of the explosions, seismic charges are used mainly in oil and gas exploration and tube charges are used mainly in stone quarry detonations.

INDUSTRIAL FUSE AND INITIATING EXPLOSIVE DEVICES

Industrial fuse and initiating explosive devices, such as detonating cords and non-electric tubes. These devices are used to initiate the detonation process.

INDUSTRIAL DETONATORS

Industrial detonators, such as non-electric detonators and piston non-electric detonators. These devices are mainly used to initiate explosions, either through boosters or applied directly on the explosives.

EXPLOSIVE-GRADE AMMONIUM NITRATE

Explosive-grade ammonium nitrate. Explosive-grade ammonium nitrate is one of the main raw materials to manufacture explosives.

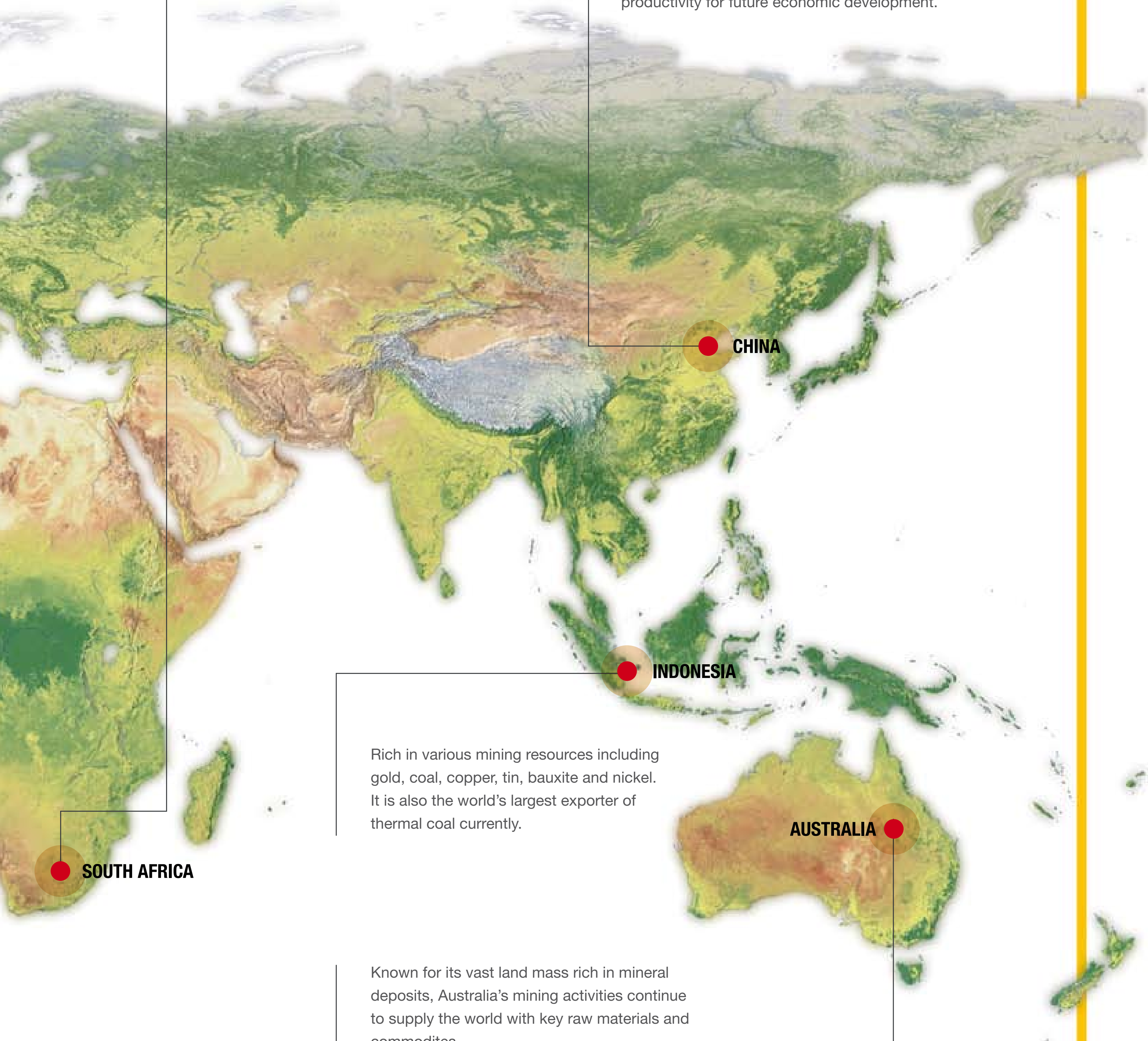
GLOBAL
REACH

WHERE WE ROAM

We are witnessing a gradual recovery in the demand of mining and infrastructure activities within our operating markets. With a primary focus on the Chinese market, Fabchem has also built up its international marketing capabilities to seize more opportunities within existing overseas markets and tap new prospects in unexplored markets. Leveraging on our established track record and extensive product range, we are well-positioned to harness the underlying business potential in this supply-regulated industry.

The mining industry is regarded as a cornerstone of the economy. The demand for the many commodities that South Africa possesses has played a major role in the economic recovery of the country.

Since the start of 2006, Chinese geologists have discovered more than 1,200 mineral fields nationwide. Anticipating a long-term increase in demand for mineral products, the Chinese government aims to reduce reliance on mineral imports by raising domestic productivity for future economic development.



Rich in various mining resources including gold, coal, copper, tin, bauxite and nickel. It is also the world's largest exporter of thermal coal currently.

Known for its vast land mass rich in mineral deposits, Australia's mining activities continue to supply the world with key raw materials and commodites.

ROARING GOOD YEAR

RMB	RMB	RMB
322.7	**47.2**	**76.1**
MILLION IN REVENUE	**MILLION NET PROFIT**	**MILLION EBITDA**

Robust activities in the mining and infrastructure sectors will continue to underpin demand in our key product segments. The encourging maiden full year contribution by our ammonium nitrate business segment reaffirms our strategy to become the first vertically integrated commerical explosive producer and distributor in China. Despite a higher effective tax rate of 19.1% (FY2009: 17.0%), the Group's net profit attributable to shareholders increased 35.1% to RMB 47.2 million in FY2010.

Left: Dr. Lim Seck Yeow (Non-executive Chairman), Right: Mr. Sun Bowen (Managing Director)

LETTER TO
SHAREHOLDERS

Dear Shareholders,

I am pleased to share with you our annual report for the financial year 2010 ("FY2010").

During 2009, we saw Asian economies recovering steadily from the aftermath of the global credit crisis. However, in the past few months, the contagious effects and concerns over the debt issues surrounding the European economies have spread across the global financial markets. For our primary market, China, the Chinese government's US$586 billion economic stimulus measures launched in 2008 and earmarked for expenditure over the following two years have stabilised the Chinese economy while maintaining its overall economic expansion roadmap.

ROBUST AND COMPREHENSIVE GROWTH

With robust mining activities and approximately 38% of the Chinese government's economic stimulus package channelled towards infrastructure expenditure, these economic activities contributed positively towards our commercial explosives business in this supply-regulated industry.

With increased marketing efforts and strong demand within the Chinese market following the 2008 Beijing Olympics, our revenue increased significantly by 53.0% year-on-year to a record RMB 322.7 million while net profits grew 35.1% year-on-year to RMB 47.2 million. All three of our traditional business segments of explosive devices, industrial fuse and initiating explosive devices as well as industrial detonators registered double digit growth while our new business segment "Ammonium Nitrate" saw its maiden full-year contribution from our strategic acquisition, Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang").

Complementing the Group's product value chain, Hebei Yinguang manufactures explosive-grade ammonium nitrate, which is a major raw material for explosives. For FY2010, sales of ammonium nitrate increased almost three-fold to RMB 75.3 million as the previous corresponding period saw its revenue contribution for only five months, from its acquisition date. Moreover, the new 40,000 tonnes explosive-grade ammonium nitrate plant also commenced production during FY2010, bringing the total production capacity to 70,000 tonnes of explosive-grade ammonium nitrate.

On a per share basis, the Group's earnings per share increased 35.2% from 14.93 RMB cents in FY2009 to 20.18 RMB cents in FY2010. Net asset value per share as of financial year-end 31 March 2010 was 152.35 RMB cents, a 15.6% increase from the previous year's 131.82 RMB cents.

LETTER TO SHAREHOLDERS

BUSINESS SEGMENT ANALYSIS

On a year-on-year basis, revenue for explosive devices grew by approximately 20.9%, industrial fuse and initiating devices, 36.0% and industrial detonators, 31.0%. Besides increased marketing efforts, the improvement in overall revenue was also due to the pent-up demand after the 2008 Beijing Olympics as certain transportation and production restrictions affected our routine operations. The average gross margin achieved by these three traditional business segments has been relatively stable at approximately 40% as the Group remains committed on maintaining operating efficiencies.

Despite lower gross margin posted by Hebei Yinguang, the subsidiary's strong maiden revenue contribution reaffirmed the Group's objective of becoming the first vertically integrated commercial explosives manufacturer and distributor in the Chinese market.

Amidst a supply-regulated industry, the Group has also successfully expanded its production capabilities for piston non-electric detonator to 60 million units per annum and booster to 8,000 tonnes per annum, making us the largest booster and non-electric detonator producer in China.

Maintaining the momentum in our marketing efforts and operating efficiencies, the Group also focuses on enhancing product quality and extending our product offerings.

FINANCIAL REVIEW

In FY2010, the Group's revenue surged 53.0% to a record RMB 322.7 million, with increased sales across core business units and market segments. China continued to be the Group's main market, as revenue contribution from the domestic market surged 68.3%, accounting for 85.2% of the Group's FY2010 revenue. Within its overseas market, sales to Australia comprised the largest portion at RMB 35.6 million.

With a primary focus on the Chinese market, the Group has also built up its international marketing capabilities to harness more business opportunities in the overseas markets and diversify our revenue base.

In August 2009, the Group via subsidiary Shandong Yinguang Technology Co., Ltd, ("Yinguang Technology") secured its maiden direct export contract to Indonesia. Under this direct export contract, Fabchem will supply boosters to a customer serving Indonesian mining companies. We hope this initial foray will open doors into this new market. During the year, we also made use of our export license to market and sell directly to key mining nations such as Australia, Indonesia and Mongolia. Going directly to overseas clients, instead of via export agents, will eliminate export agent costs and at the same time, enhance our market knowledge and services to these strategic customer bases.

In FY2010, the Group's revenue surged 53.0% to a record RMB 322.7 million with increased sales across core business units and market segments. China continued to be the Group's main market, as revenue contribution from the domestic market surged 68.3%, accounting for 85.2% of the Group's FY2010 revenue.

Due to the consolidation of Hebei Yinguang's ammonium nitrate business, the Group's overall gross profit margin saw a slight reduction of about 2.7 percentage points from FY2009's 38.0% to FY2010's 35.3%.

In line with the increase in sales revenue, operating expenses increased by about RMB 5.6 million or 46.6% to RMB 17.7 million in FY2010. Administrative expenses increased by about RMB 6.9 million or 29.0% to RMB 30.7 million during this period. This was due mainly to the increased expenses such as executive directors' profit sharing and safety expenses. The latter is computed based on pre-defined percentages of our annual revenue as set by the State Administration of Work Safety of the People's Republic of China.

For income tax expenses, our China operating subsidiary, Yinguang Technology, was liable to pay a concessionary reduced tax rate of 12.5% for 2 years from 1 January 2008 to 31 December 2009. With effect from 1 January 2010, our China subsidiaries are liable to pay the full tax rate of 25%. The effective tax rate for FY2010 was 19.1%, as compared with 17.0% for FY2009.

STRONG BALANCE SHEET

Our balance sheet remained strong with net assets of RMB 356.5 million as of 31 March 2010 with low gearing. This is an increase of 15.6% over FY2009's RMB 308.5 million. As of 31 March 2010, total outstanding short-term debts were RMB 43.7 million while long-term debts were RMB 171,000. These debt obligations were mainly consolidated from the acquisition from Hebei Yinguang.

Property, plant and equipment increased by about RMB 47.4 million mainly due to the finalisation of the purchase price allocation ("PPA") exercise for the acquisition of Hebei Yinguang which increased the fair value of Hebei Yinguang's property, plant and equipment by RMB 12.1 million and the increase in construction costs for the two new production facilities, boosters and piston non-electric detonators.

Land use rights increased by approximately RMB 9.2 million mainly due to the fair value increase in Hebei Yinguang's land use rights by RMB 5.9 million upon the finalisation of the PPA exercise.

Cash and bank balances stood at RMB 107.2 million, while trade receivables and other receivables decreased by about RMB 20.0 million mainly due to improved debt recovery over the year. Trade payables and accrual decreased by about RMB 15.6 million mainly due to the decrease in bills payable as at year-end 31 March 2010 of approximately RMB 20 million.

LETTER TO SHAREHOLDERS

CASH FLOW HIGHLIGHTS

Cash and cash equivalents at year-end 31 March 2010 was RMB 107.3 million, remaining on a relatively even keel year-on-year compared with FY2009's RMB 112.6 million. Net cash generated from operations was approximately RMB 56.6 million, mainly because of strong operating cash flows and offset by the increase in income tax and payment to trade and other payables. Net cash used in investing activities was approximately RMB 53.1 million primarily due to the payment of the construction cost for our two new production facilities. Meanwhile, net cash used in financing activities of approximately RMB 8.8 million was mainly due to interest payments and repayment of loans from third party and financial institutions.

OUTLOOK AND STRATEGY

Looking ahead, economists predict China's economic growth to be robust during the current year. In fact, boosted by Chinese government stimulus, growth has been expanding to the extent where inflationary effects have persisted, leading to the Chinese government's recent credit tightening measures such as raising the reserve ratio for banks. Beyond China, the global economy continues to experience uneven recovery. With such ongoing trends, we remain cautiously optimistic about the Group's outlook.

Nonetheless, we are focused on our commitment to augment our market presence as a leading commercial explosives company in China. To our advantage, China's economic growth and global economic development will continue to be dependent on the energy resources and commodities extracted from mining and energy exploration activities. Already, there has been a pick-up in mining activities in key resource-rich countries such as Australia, South Africa and Indonesia.

In addition, the Chinese government's stimulus package towards infrastructure spending will also benefit our clients operating in the infrastructure construction market segment. All in, our market sectors continue to show positive prospects and generate healthy returns; we are focused in boosting our sales and strengthening our market presence in our core operating markets.

On the organic front, we intend to introduce new technology to existing detonating cords facilities to increase its production capabilities and enhance product quality. At the same time, we seek to employ new technology to existing non-electric tubes and detonators facilities to tap the high-end commercial explosives market.

Beyond Group-wide developments, we seek to strengthen our strategic ties and working relationship together with our strategic partners, Dyno Nobel and Incitec Pivot Limited, building on operational knowledge transfer. Dyno Nobel is the world's second largest commercial explosives player and owns about a 29.9% stake in our company.

With restricted foreign involvement, China's commercial explosives industry is highly regulated as supply is controlled with all sales contracts vetted and approved by the Chinese authorities. These regulations benefit established companies like us. Moreover, the government is further encouraging consolidation to boost the development and overall efficiency of market players. It has ceased issuing new safety production licence since 2005/2006 and since then, the number of competitors has dwindled from over 400 in 2006 to less than 200 companies at present. At the same time, the mandatory shift by the Chinese government towards the usage of higher quality and safer explosive products has boosted the market demand for our products.

CONCLUSION

In summary, we believe we are on the right path for sustainable long-term growth. Growing organically through enhanced production techniques, a widened product offering and new geographical markets will diversify our revenue base and strengthen profit margins. Already, our ammonium nitrate business has made substantial revenue contribution to the Group, and we anticipate this trend to continue. With our established brand name "Yinguang" and our 100% safety record over 30 years, we remain well-positioned to extend our competitive strengths in our core product and market segments.

CHANGES IN BOARD COMPOSITION

At this juncture, I would like to highlight some changes to our board. During the year, Mr Alan Grace resigned as a Non-Executive Director and was replaced by Mr Christopher Michael Furnell. Independent Director Mr Wong Joo Wan also resigned and was replaced by Mr Wee Phui Gam. On behalf of the Board, I would like to welcome our two new directors and look forward to their counsel.

In recognition of our shareholder support, we propose a dividend of S$0.005 per ordinary share to be approved at our forthcoming Annual General Meeting. It has been an eventful year for us at Fabchem and on behalf of the Board, I would like to extend appreciation to our fellow directors, shareholders, management and staff. Your skills, determination, and trust have been integral to our success. Going forward, we will continue to combine prudence and agility as we seek opportunities ahead.

致股东辞

尊敬的股东，

我很荣幸能与你们呈上2010财政年（“FY2010”）的年度报告。

2009年期间，我们目睹亚洲经济正在从全球信贷危机中逐渐复苏。但是，在过去几个月，环绕着欧洲经济体的债务问题却再次对全球金融市场掀起轩然大波，并且引起关注。对于我们的主要市场中国，该国政府在2008年所推出的5860亿美元经济振兴配套，以及随后两年的基础设施开支，已经促使中国经济恢复平稳，并以稳健的步伐持续增长。

全面的强健增长

由于民爆行业在国内受到了相当的管制以致供应有限，因此在过去一年，激增的采矿活动以及大约38%的中国政府经济振兴配套都注入在国内基本设施的开支等经济活动，已促使我们的民爆业务取得了显著的增长。

随着加强的行销策略以及在北京奥运后的国内市场强劲需求，我们的营业额在本财政年比起去年大幅增长了53.0%，达到3亿227万元人民币，而净利润也和去年相比增长35.1%，达到4720万元人民币。集团主要的三个产品领域，包括起爆具、震源药柱、石材爆裂管、工业导爆索、导爆管以及工业导爆管雷管领域，都取得双位数的增长。我们的新商业领域“硝酸铵”通过我们在河北银光化工有限公司（“河北银光”）的战略性收购，也为集团贡献了首个全年营业额。

河北银光的主要产品，硝酸铵，是制造炸药的主要原材料。这项投资已成功加强了集团的产品产业链。在2010财政年间，硝酸铵的销售激增近三倍，达到7530万元人民币。这主要是因为在上个财政年的业绩报告仅记录五个月的营业额以及新的4万吨硝酸铵生产线也在此财政年度开始运作。

以每股计算，集团的每股收益从2009财政年的人民币14.93分增长了35.2%，达到了2010财政年的人民币20.18分。截至2010年3月31日，集团的每股净资产值为人民币152.35分，和上个财政年的人民币131.82分相比，增长了15.6%。

业务领域分析

细观各产品与市场的表现，起爆具、震源药柱及石材爆裂管的业绩同去年同期相比增长了大约20.9%，工业导爆索及导爆管的业绩起了36.0%，而工业导爆管雷管的业绩则增长31.0%。整体的营业额会有所改善，除了集团加强了行销宣传外，也因为原本在2008年北京奥运会举办时期所受到的运输以及生产限制，都已经恢复运作。在集团持续保持营运成效的决心下，由这三个主要业务领域所取得的平均毛利润率相对的保持平稳，为大约40%。

尽管河北银光取得了较低的毛利润率，但该附属公司在首年就能取得如此不俗的营业额，肯定了集团长远的目标,立志成为第一家在国内市场的垂直整合民爆器材生产企业和批发商。

另外，在供应被受管制的民爆器材行业里，集团也成功扩充其活塞式导爆管雷管和起爆具的生产能力，每年分别达到6000万发以及8000吨，让集团成为了中国最大的活塞式导爆管雷管和起爆具制造商。

维持我们在行销宣传的方针和工作效率的势头，集团也将继续专注于提高产品的素质和扩展我们的产品选择。

财务回顾

在2010财政年间，因为集团主要的产品和市场都取得较高的销售成绩，以致营业额激增53.0%，创历史新高，达到3亿2270万元人民币。中国依然是集团的主要市场，在2010财政年占集团总营业额的85.2%，比上财政年增长了68.3%。在海外市场方面，澳大利亚的销售仍然占最大比例，达到3560万元人民币。

虽然集团主要专注于中国市场，但同时也积极拓展国际市场的行销能力，开拓更多海外市场的商机以及扩大其营业额。

在2009年8月，集团通过附属公司山东银光科技有限公司（“银光科技”），成功获得了其首个直接出口到印尼的合同。根据这项直接出口合同，集团将供应起爆具给专门服务印尼采矿公司的客户。我们希望，这首个合同将为这个新市场开启新商机。在本财政年中，我们也利用了我们的出口执照，直接推销及售卖给主要的采矿国家，如澳大利亚和蒙古。不通过出口代理商，而直接接触海外客户，将免去出口代理的费用，并提高我们对这些用户群的市场知识和服务。

由于收购了河北银光的硝酸铵业务，集团的总毛利润率和2009财政年的38.0%相比，微跌了2.7个百分点，达到2010财政年的35.3%。

随着销售营业额的增长，经营费用也增加了560万元人民币或46.6%，达到2010财政年的1770万元人民币。管理费用则增加了690万元人民币或29.0%，达到3070万元人民币。这主要是因为董事的利润分红和安全费用等费用的增加。后者是根据中国国家安全生产监督管理局每年收入预先确定的百分比计算的。

至于所得税费用，我们在中国的附属公司银光科技在2008年1月1日至2009年12月31日这两年间获得优惠，只需支付12.5%的税率。但自2010年1月1日起，我们的中国

致股东辞

附属公司就得支付25%的全部税率。以此计算，我们在2010财政年的有效税率为19.1%，而2009财政年的则为17.0%。

稳健的资产负债表

我们的资产负债表截至2010年3月31日维持低负债，净资产保持稳健的增长，和去年同期相比上升了15.6%，达3亿5650万元人民币。截至2010年3月31日，未偿还的总短期债务为4370万元人民币，而长期债务为17.1万元人民币。这些债务是在河北银光的收购行动后所需承担的。

固定资产增加了4740万元人民币，主要因为收购了河北银光的最后确定购买成本分配活动，从而提升了河北银光固定资产的公允价值约1210万元人民币。我们的两个新生产设施、起爆具和活塞式导爆管雷管的建筑业成本增加，也是原因之一。

土地使用权也因为河北银光土地使用权的公允价格在最后确定购买价格分配活动后增加590万元人民币，以致其使用权增加了近920万元人民币。

现金及银行存款为1亿720万元人民币，而应收账款及其它账款下跌了近2000万元人民币，主要因为过去一年的应收账款回收期有所改善。应付帐款的跌幅达到约1560万元人民币，主要因为截至年底，应付票据下跌约2000万元人民币。

资金概况

截至2010年3月31日的现金和现金等价物为1亿730万元人民币，与2009财政年的1亿126万元人民币不相伯仲。虽然所得税和支付应付帐款及其它应付款增加了，但因为业务取得不俗的表现，所以由营运活动所赚取的净现金达到约5660万元人民币。由于支付了我们两条新生产设施的建筑费用，用于投资活动的净现金是约5310万元人民币。同时，用于融资活动的净现金为880万元人民币，主要因为支付利息，以及偿还第三方和金融机构的贷款。

前景和战略

根据经济学家的预测，中国的经济增长在今年依然强健。在中国政府振兴配套的推动下，经济增长已导致了通货膨胀的现象持续，以致中国政府需采取提升银行的存款准备金率等信贷紧缩措施，以避免经济出现过热情况。在中国以外，全球经济也持续遭受到不稳定的因素所影响。以目前的趋势，我们对于集团的前景保持谨慎乐观的态度。

然而，我们专注于增强我们的市场占有率，以成为中国数一数二的民爆器材公司。中国的经济增长和全球经济发展将持续依赖能源资源以及由采矿活动提取的原料。同时，主要的资源丰盛国如澳大利亚、南非以及印尼的采矿活动已有回升的迹象。

另外，中国政府的经济振兴配套对于基本设施的支出将有益于我们在基本设施建筑市场领域的客户，而这种种的活动都有利于我们的业务。整体来说，我们的市场将

在2010财政年间，因为集团主要的产品和市场都取得较高的销售成绩，以致营业额激增53.0%，创历史新高，达到3亿227万元人民币。中国依然是集团的主要市场，在2010财政年占集团总营业额的85.2%，比上财政年增长了68.3%。

继续呈现乐观的前景以及稳健的效益。我们专注于提升我们的业绩和在我们的主要经商市场中巩固我们的市场占有率。

再扩张集团的生产能力方面，我们打算将在现有的导爆索设施推出新的科技，以加强生产能力以及提高产品素质。与此同时，我们寻求运用新的技术在现有的导爆管以及雷管设施，以开拓高端民爆器材市场的商机。

除集团内的发展外，我们也将巩固同我们的战略伙伴戴诺诺贝尔（Dyno Nobel）与化肥生产商Incitec Pivot Limited的战略性合作及工作关系，以建立营运知识上的交流。戴诺诺贝尔是全球第二大的民爆器材生产企业，拥有本集团29.9%的股份。

在中国，国内的民爆器材行业受到高度管制，因为供应的所有销售合约都必须由中国当局批准和审查，所以外国的民爆器材公司在当地的参与率并不高。但这些规定却有利于像我们这样的本土的大型公司。何况，政府正鼓励民爆器材生产企业的和并与收购，以增强业者的发展与整体效率。中国政府自2005/2006年已停止发放新的安全生产许可证，而随后，竞争者的数量从2006年的超过400家，跌至目前的100多家。同时，中国政府对于高素质以及较安全炸药产品的强制性推广措施，也已经提升了市场对于我们产品的需求。

结束语

我们深信，我们正往可持续性长期增长的道路迈进。通过更优良的生产技术、更多元化的产品选择以及新发展的地区市场，这将扩大我们的业务收入以及加强利润率。我们的硝酸铵业务已为集团取得较高的收入，而我们预计，此趋势将会持续。通过我们所建立的优良品牌“银光”以及我们在30年来100%的安全纪录，我们在主要产品和市场中，都依然保持竞争优势。

董事会成员变动

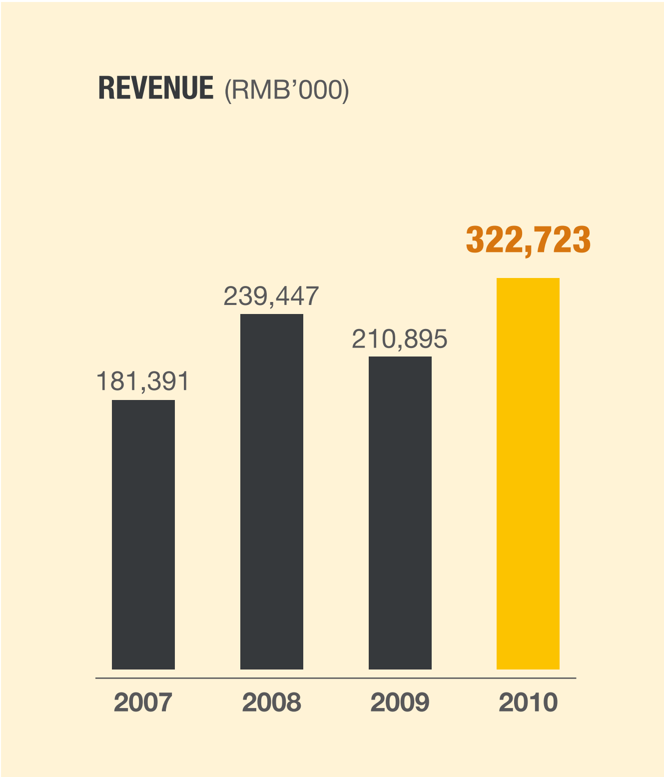
在此，我希望向股东们说明董事会的一些变动。在本财政年中，Mr Alan Grace以及王如萬先生分别辞去了非执行董事以及独立董事的职务，并由Mr Christopher Michael Furnell以及黄培岩先生接替。我谨代表董事会，热烈欢迎两位新加入的董事，并期待他们能对公司提供宝贵意见。

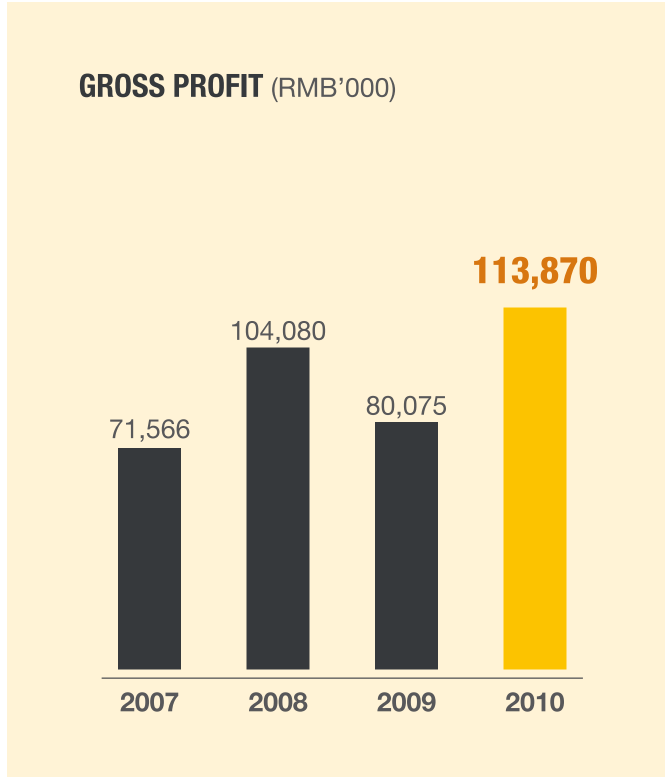
为了答谢给予我们支持的股东们，我们建议分发每股0.005新元的股息，并将在来临的股东大会上表决通过。对于集团来说，本财政年是个具挑战性的一年，而我谨代表董事会，对董事会同仁、股东、管理层以及员工表示由衷感谢。你们的贡献、坚持和信任对我们的成功都具重大意义。展望未来，我们将继续保持审慎和灵活的态度，寻找更多的商机。

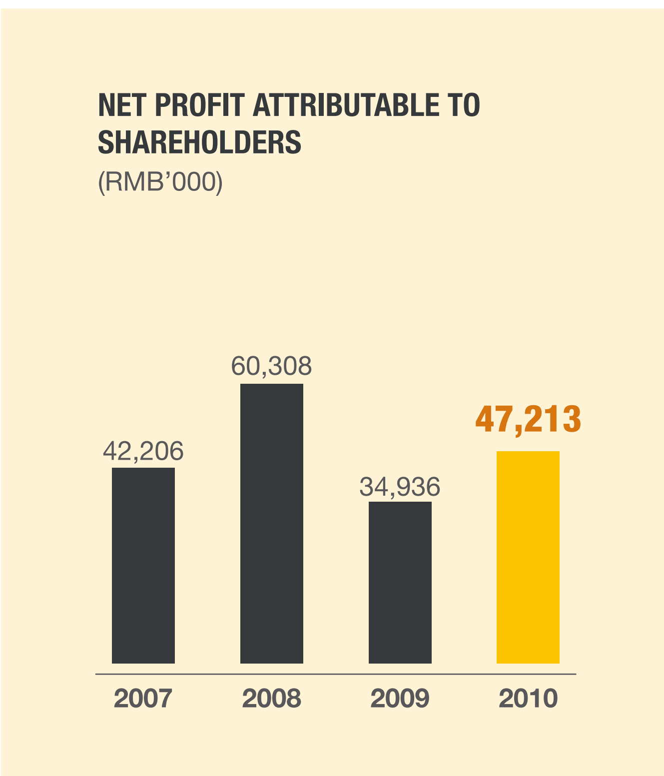
FINANCIAL
HIGHLIGHTS

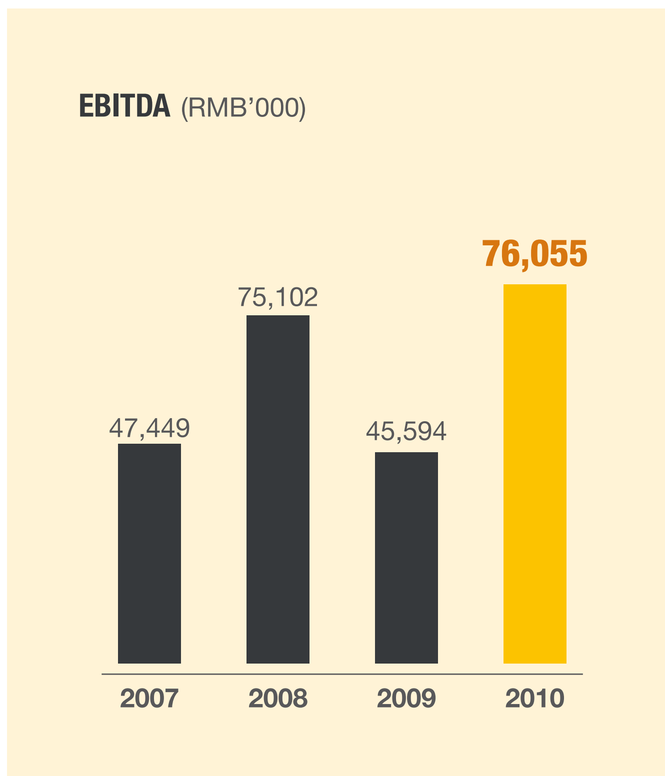
FINANCIAL YEAR-END MARCH	FY2007 Actual RMB'000	FY2008 Actual RMB'000	FY2009 Actual RMB'000	**FY2010** Actual RMB'000
REVENUE BY PRODUCT SEGMENTS				
Explosive Devices	90,188	108,558	69,274	83,756
Industrial Fuse and Initiating Explosives Devices	68,669	75,970	71,510	97,259
Industrial Detonators	21,674	54,331	49,934	65,437
Ammonium Nitrate	-	-	18,895	75,321
Others	860	588	1,282	950
OPERATING RESULTS				
Revenue	181,391	239,447	210,895	322,723
Gross Profit	71,566	104,080	80,075	113,870
Profit before Tax	45,427	72,558	42,094	58,370
Net Profit Attributable to Shareholders	42,206	60,308	34,936	47,213
EBITDA*	47,449	75,102	45,594	76,055
BALANCE SHEET				
Non-Current Assets	22,205	46,624	203,489	251,131
Current Assets	234,553	278,860	306,196	281,795
Current Liabilities	35,893	50,675	200,994	170,341
Non-Current Liabilities	403	331	226	6,081
Shareholders' Equity	220,462	274,478	308,465	356,504
CASH FLOW				
Net Cash From Operating Activities	25,906	13,628	46,734	56,618
Net Cash Used In Investing Activities	(18,020)	(27,393)	(43,092)	(53,142)
Net Cash (Used In) / From Financing Activities	82,019	(6,315)	51	(8,842)

* Earnings before Interest, Tax, Depreciation and Amortisation


REVENUE (RMB'000)
322,723
239,447
210,895
181,391
2007
2008
2009
2010


GROSS PROFIT (RMB'000)
113,870
104,080
80,075
71,566
2007
2008
2009
2010


NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(RMB'000)
60,308
47,213
42,206
34,936
2007
2008
2009
2010


EBITDA (RMB'000)
76,055
75,102
47,449
45,594
2007
2008
2009
2010

2010 HIGHLIGHTS AND OUTLOOK

We secured direct sales contracts with Orica Limited and Beston Australia Pty Ltd with effect from January 2010.

We are exploring the use of new technology in existing detonating cords facilities to increase its production capacity.

The Group started on the R&D and feasibility studies of high-end commercial explosives which command higher margins.

We secured our maiden direct export contract to Indonesia, to supply boosters to a customer serving Indonesian mining companies.

We have established in-house capabilities to market and sell directly to key mining nations, thereby saving the costs for a separate export agent.

We commenced production for the new 60 million units of detonators, 3,000 tonnes of boosters and 40,000 tonnes of explosive-grade ammonium nitrate.

OUR PROSPECTS

Mining activities are expected to pick up in key resource-rich countries

Demand for worldwide energy exploration activities continues to increase

The commodity boom is expected to continue its growth over the next 10-15 years

2010 AND BEYOND

POUNCING ON NEW OPPORTUNITIES

BOARD OF DIRECTORS

DR. LIM SECK YEOW

Non-executive Chairman

Dr. Lim Seck Yeow is our non-executive Chairman and was appointed as our Director on 12 October 2004. 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.

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. and Hebei Yinguang Chemical 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 Provincipal Party Committee School of Shandong in 2002 and a Master Degree in Administrative Management from Beijing Normal University in 2004.

PETER NEVILLE HOGAN

Non-executive Director

Peter Neville Hogan is our non-executive director and was appointed on 2 July 2008. Peter Neville Hogan is currently a 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 Melbourne-based 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, Quantum Fertilisers Ltd, a private company based in Hong Kong and the Villa Maria Society, an Australian not-for-profit organisation providing services in the aged care and disability sectors.

BOARD OF DIRECTORS

CHRISTOPHER MICHAEL FURNELL

Non-executive Director

Christopher Michael Furnell is our non-executive director and was appointed on 12 March 2010. Chris is currently the President Global Risk & Control of Dyno Nobel. From June 2003 to January 2010, he served in various senior finance appointments with Incitec Pivot Limited (the parent company of Dyno Nobel) including Group Financial Controller, Executive Manager Corporate Finance and Chief Financial Officer - Explosives Group. Prior to joining Incitec Pivot Limited ("IPL"), Chris spent 16 years with the antecedent parent companies of IPL - Orica and ICI Australia where he held a variety of senior finance positions including, Business Improvement Manager, Shared Services Implementation Manager, Internal Audit Manager. He is currently a director of a few subsidiaries of IPL. He has extensive experience in financial reporting, internal audit, treasury, financial shared services, business process improvements, risk and controls and corporate governance.

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 director of Singapore Dance Theatre Ltd. 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.

LIM HUI MIN JOHN

Independent Director

Lim Hui Min John is our Independent Director and was appointed Director on 17 February 2006. Currently, he is the General Manager, Business Development of Frasers Centrepoint Limited, a property development company. Prior to joining Frasers Centrepoint Limited, he was the Development Director of VinaCapital Real Estate Ltd, a leading fund manager of foreign real estate fund in Vietnam. From 2004 to 2006, 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.

WEE PHUI GAM

Independent Director

Wee Phui Gam was appointed an independent director of the Company on 15 October 2009. Mr Wee is a practising certified public accountant in Singapore. He has been the sole-proprietor of P G Wee & Partners ('P G Wee') since 1984. He is also the managing partner of Y.C. Lee & Co ('Y.C. Lee'), a position he has held since 1990. P G Wee and Y.C. Lee are public accounting firms in Singapore. Mr Wee is also an independent director and Chairman of the Audit Committee for Teledata (Singapore) Limited. Mr Wee started his career in 1978 as an audit assistant with Foo, Kon & Tan, a public accounting firm in Singapore. Shortly after, he joined Peat Marwick Mitchell & Co, an international accounting firm as an audit assistant, becoming a Manager when he left some 6 years later, in 1984. Mr. Wee holds a Bachelor of Accountancy degree from the University of Singapore and is a Fellow Member of the Institute of Certified Public Accountants of Singapore. He is a member of the Anderson Junior College School Advisory Committee.

KEY MANAGEMENT

CHEN RUI

Senior Manager - Safety, Technology & Integration

Chen Rui is our Senior Manager – Safety, Technology & Integration. He is responsible for the production, safety, technology and the production 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.

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 Certified Public Accountant in Singapore and fellow member of the Association of Chartered Certified Accountants in UK.

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

Christopher Michael Furnell
Non-executive Director

Ong Tai Tiong Desmond
Independent Director

Lim Hui Min John
Independent Director

Wee Phui Gam
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
Fax: (65) 6236 4399

COMPANY REGISTRATION NUMBER

200413128G

REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01
Singapore Land Tower
Singapore 048623

INDEPENDENT AUDITORS

RSM Chio Lim LLP
Certified Public Accountants, Singapore
(Member of RSM International)
8 Wilkie Road
#03-08
Wilkie Edge
Singapore 228095

Partner-in-charge:
Goh Swee Hong, CPA
Appointment with effect from financial
year ended 31 March 2010

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

SAFETY MEASURES

The safety of our operations is of paramount importance to us. We have manuals 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 six staff who are 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'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 and in order to provide the safest possible enviroment for our staff, 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 organized 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 closed 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 ("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 minimize 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 and Feixian Safety Supervising Bureau conducts safety inspections at least twice every year. The Linyi Safety Supervising Bureau might not issue an inspection report to our Group, and Yinguang Technology did not receive any negative feedback from the Linyi Safety Supervising 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 July 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.

SECURITY MEASURES

The Group has strict security measures in place to prevent loss or theft of explosives 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 2010, 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.

Note: 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 2010 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 includes 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").

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	3	—	—	—	—	—	—
Bao Hongwei	4	4	—	—	—	—	—	—
Peter Neville Hogan	4	4	—	—	—	—	—	—
Alan Grace (1)	4	4	—	—	—	—	—	—
Ong Tai Tiong Desmond	4	3	4	3	1	1	1	1
Lim Hui Min John	4	4	4	4	1	1	1	1
Wong Joo Wan (2)	4	1	—	—	—	—	—	—
Wee Phui Gam (3)	4	2	—	—	—	—	—	—
Christopher Michael Furnell (4)	4	—	—	—	—	—	—	—

Notes:

(1) Mr Alan Grace has resigned from the Board on 12 March 2010.

(2) Mr Wong Joo Wan has resigned from the Board on 27 July 2009.

(3) Mr Wee Phui Gam has been appointed to the Board on 15 October 2009.

(4) Mr Christopher Michael Furnell has been appointed to the Board on 12 March 2010.

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.

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 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 guideline 2.1 of 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 receives 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 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 2010. Instead, we are disclosing the bands of remuneration as follows:

Name of Director	S$0 to S$250,000	S$250,001 to S$500,000	Directors' Fees* (%)	Percentage of Variable Remuneration (%)	Percentage of Fixed Remuneration (including Directors' Fees) (%)
Dr Lim Seck Yeow	✓	–	100	–	100
Sun Bowen	–	✓	–	70.4	29.6
Bao Hongwei	✓	–	–	72.4	27.6
Peter Neville Hogan	✓	–	100	–	100
Alan Grace	✓	–	–	–	–
Ong Tai Tiong Desmond	✓	–	100	–	100
Lim Hui Min John	✓	–	100	–	100
Wong Joo Wan	✓	–	–	–	–
Wee Phui Gam	✓	–	100	–	100
Christopher Michael Furnell	✓	–	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 2010 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 2010 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	✓	19.1	80.9
Chen Hongyu	✓	–	100
Yang Changde	✓	–	100

Note:

(1) Sun Qiang is the son of the Managing Director whose remuneration did not exceed S$150,000 during the financial year ended 31 March 2010. Apart from him, no employee of the company and its subsidiaries is an immediate family member of a director and whose remuneration exceeded S$150,000 during the financial year ended 31 March 2010.

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 balanced 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 Subsidiaries, 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 meet 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 2010 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 year ended 31 March 2010. 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 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 2010.

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 2010, 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)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
		Actual FY2010 RMB'000	Actual FY2009 RMB'000	Actual FY2010 RMB'000	Actual FY2009 RMB'000
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	8,000	5,000	–	–
Feixian Yinguang Transport Co., Ltd.	Payment of transportation charges	2,885	2,779	–	–
Feixian Yinguang Magnesium Co., Ltd.	Purchase of magnesium materials	701	483	–	–
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	1,241	1,136	–	–
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	4,921	1,351	–	–
Shandong Yinguang Chemical Group Co., Ltd	Sales of ammonium nitrate	–	486	27,108	–
Shandong Yinguang Qianfeng Chemical Co., Ltd (1)	Sales of ammonium nitrate	–	–	–	5,059
Tai'an Yinguang Xinhua Chemical Co., Ltd (1)	Sales of ammonium nitrate	–	–	–	7,108

Footnote:

(1) With effect from 1 January 2009, the operations and businesses of Shandong Yinguang Qianfeng Chemical Co., Ltd and Tai'an Yinguang Xinhua Chemical Co., Ltd were transferred to Shandong Yinguang Chemical Group Co., Ltd ("Yinguang Group"). The above FY2009 amounts referred to transactions carried out since date of acquisition of Hebei Yinguang till 31 March 2009. The relevant general mandate was updated and approved at the Annual General Meeting held on 27 July 2009.

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. The Company may continue with such transactions 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"), which is 54.3% owned by the executive officer, Sun Qiang, has a 9.90% interest in Aoxin. The Managing Director is also a non-executive director of Aoxin.

The Company sells its products 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 FY2010 RMB'000	Actual FY2009 RMB'000
Sales of commercial explosives to Aoxin	–	11,937
Sales of commercial explosives to overseas customers through Aoxin	29,695	29,421

10. USE OF IPO PROCEEDS

For the financial year ended 31 March 2010, the Group has utilised approximately RMB80.2 million in total of the IPO proceeds for the purchase of plants and machineries for the boosters and detonators facilities and for working capital purposes. 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.

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 2010.

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
Christopher Michael Furnell (Appointed on 12 March 2010)
Ong Tai Tiong Desmond
Lim Hui Min John
Wee Phui Gam (Appointed on 15 October 2009)

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 :

	Direct Interest		
Name of directors and company in which interest are held	At beginning of the year	At end of the year	At 21 April 2010
The Company	Ordinary shares with no par value		
Bao Hongwei	4,583,000	4,683,000	4,788,000
	Deemed Interest		
The Company	Ordinary shares with no par value		
Dr Lim Seck Yeow	22,334,000	22,334,000	18,334,000
Sun Bowen	75,700,000	75,700,000	75,700,000
Bao Hongwei	8,604,000	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;
- 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. It also 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 19 May 2010, 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

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Sun Bowen
Director

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Bao Hongwei
Director

28 May 2010

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 March 2010 and of the results and cash flows of the group and changes in equity of the company and of the group for the financial year then ended; and

(b) 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.

The board of directors approved and authorised these financial statements for issue on 28 May 2010.

On Behalf of the Directors

Sun Bowen
Director

Bao Hongwei
Director

28 May 2010

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 statements of financial position of the group and the company as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 statement of comprehensive income and statements of financial positions and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

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

Independent Auditor's Responsibility

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

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

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

Opinion

In our opinion,

(a) the consolidated financial statements of the group and the statement of financial position 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 2010 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

28 May 2010

Partner-in-charge of audit: Goh Swee Hong
Effective from year ended 31 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2010

	Notes	Group 2010	Group 2009
		RMB'000	RMB'000
Revenue	5	322,723	210,895
Cost of Sales		(208,853)	(130,820)
Gross Profit		113,870	80,075
Other Items of Income			
Interest Income	6	228	277
Other Credits	7	618	1,676
Other Items of Expense			
Distribution Costs		(17,666)	(12,047)
Administrative Expenses		(30,712)	(23,808)
Finance Costs	6	(2,363)	(530)
Other Charges	7	(5,605)	(3,549)
Profit Before Tax From Continuing Operations		58,370	42,094
Income Tax Expense	9	(11,157)	(7,158)
Profit from Continuing Operations, Net of Tax		47,213	34,936
Other Comprehensive Income:			
Exchange Differences on Translating Financial Statements of Parent		826	(949)
Total Comprehensive Income		48,039	33,987
		RMB Cents	RMB Cents
Earnings Per Share			
- Basic	10	20.18	14.93
- Diluted	10	20.18	14.93

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2010

		Group		Company	
	Notes	2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	185,840	138,462	343	376
Intangible Assets	13	7,403	20,001	–	–
Other Assets, Non-Current	14	54,261	45,026	–	–
Investment in Subsidiaries	15	–	–	110,185	101,176
Deferred Tax Assets	9	3,627	–	–	–
Total Non-Current Assets		251,131	203,489	110,528	101,552
Current Assets					
Inventories	16	47,763	47,001	–	–
Trade and Other Receivables, Current	17	99,124	119,074	26,323	14,689
Other Assets, Current	14	27,653	27,500	101	97
Cash and Cash Equivalents	18	107,255	112,621	285	256
Total Current Assets		281,795	306,196	26,709	15,042
Total Assets		532,926	509,685	137,237	116,594
EQUITY AND LIABILITIES					
Equity					
Share Capital	19	116,849	116,849	116,849	116,849
Retained Earnings		205,844	163,859	18,139	8,494
Other Reserves	20	33,811	27,757	(2,506)	(12,342)
Total Equity		356,504	308,465	132,482	113,001
Non-Current Liabilities					
Deferred Tax Liabilities	9	5,910	–	–	–
Other Financial Liabilities, Non-Current	21	171	226	171	226
Total Non-Current Liabilities		6,081	226	171	226
Current Liabilities					
Income Tax Payable		7	5,240	–	–
Trade and Other Payables, Current	22	123,257	144,057	4,509	3,301
Other Financial Liabilities, Current	21	43,681	49,688	75	66
Other Liabilities, Current	23	3,396	2,009	–	–
Total Current Liabilities		170,341	200,994	4,584	3,367
Total Liabilities		176,422	201,220	4,755	3,593
Total Equity and Liabilities		532,926	509,685	137,237	116,594

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2010

	Total Equity RMB'000	Share Capital RMB'000	Retained Earnings RMB'000	Statutory Reserves RMB'000	Foreign Exchange Translation Reserve RMB'000
Group:					
Current Year:					
Opening Balance at 1 April 2009	308,465	116,849	163,859	28,132	(375)
Movements in Equity:					
Total Comprehensive Income for the Year	48,039	–	47,213	–	826
Appropriation for the Year	–	–	(5,228)	5,228	–
Closing Balance at 31 March 2010	356,504	116,849	205,844	33,360	451
Previous Year:					
Opening Balance at 1 April 2008	274,478	116,849	133,529	23,526	574
Movements in Equity:					
Total Comprehensive Income for the Year	33,987	–	34,936	–	(949)
Appropriation for the Year	–	–	(4,606)	4,606	–
Closing Balance at 31 March 2009	308,465	116,849	163,859	28,132	(375)

	Total Equity RMB'000	Share Capital RMB'000	Retained Earnings RMB'000	Foreign Exchange Translation Reserve RMB'000
Company:				
Current Year:				
Opening Balance at 1 April 2009	113,001	116,849	8,494	(12,342)
Movements in Equity:				
Total Comprehensive Income for the Year	19,481	–	9,645	9,836
Closing Balance at 31 March 2010	132,482	116,849	18,139	(2,506)
Previous Year:				
Opening Balance at 1 April 2008	114,963	116,849	(4,000)	2,114
Movements in Equity:				
Total Comprehensive Loss for the Year	(1,962)	–	12,494	(14,456)
Closing Balance at 31 March 2009	113,001	116,849	8,494	(12,342)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2010

	2010	2009
	RMB'000	RMB'000
Cash flows from Operating Activities		
Profit Before Tax	58,370	42,094
Amortisation of Other Intangible Assets and Land Use Right	2,084	90
Depreciation of Property, Plant and Equipment	14,224	3,157
Goodwill Written-off	31	–
Loss on Disposal of Plant and Equipment	122	18
Allowance for Impairment on Trade and Other Receivables – Loss	4,701	3,531
Net Effect of Exchange Rate Changes in Translation of Financial Statements of Parent	794	(896)
Interest Expense	2,363	530
Interest Income	(228)	(277)
Operating Cash Flows before Changes in Working Capital	82,461	48,247
Inventories	(762)	(19,360)
Trade and Other Receivables	15,509	32,511
Other Assets	(153)	(9,116)
Trade and Other Payables	(20,800)	2,645
Other Liabilities	1,387	153
Net Cash Flows from Operations Before Interest and Tax	77,642	55,080
Income Taxes Paid	(21,024)	(8,346)
Net Cash Flows From Operating Activities	56,618	46,734
Cash Flows From Investing Activities		
Acquisition of Subsidiary (Net of Cash Acquired) (Note 24)	–	28,128
Payment for Land Use Rights	(4,244)	(2,602)
Proceeds from Disposal of Plant and Equipment	586	47
Purchase of Property, Plant and Equipment	(49,712)	(68,942)
Interest Received	228	277
Net Cash Flows Used in Investing Activities	(53,142)	(43,092)
Cash Flows From Financing Activities		
(Decrease)/Increase in Other Financial Liabilities	(6,062)	1,346
Interest Paid	(2,780)	(1,295)
Net Cash Flows (Used in)/ From Financing Activities	(8,842)	51
Net (Decrease)/ Increase in Cash and Cash Equivalents	(5,366)	3,693
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	112,621	108,928
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 18)	107,255	112,621

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

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 board of directors approved and authorised these financial statements for issue on 28 May 2010.

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 15 below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the 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.

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.

The company's financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no statement of comprehensive income is presented for the company.

Basis of Preparation of the Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 activities of the entity and it is shown net of any related sales taxes, estimated returns and 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 from equity instrument is recognised as income when the entity's right to receive payment is established.

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 profit or loss 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 based on past practice.

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. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in 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 or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the company is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Transactions and Translation of Financial Statements of Other Entities

The functional currency of the company is Singapore dollars ("S$") as it reflects the primary economic environment in which the company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in Chinese Renminbi ("RMB") as it reflects the primary economic environment where the group operates. For the RMB financial statements assets and liabilities are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are dealt with in other comprehensive income and accumulated in a separate component of equity. The translation of S$ amounts into RMB amounts are solely for the convenience of readers. The year end rates used are RMB4.8880 to S$1.00 (2009: RMB4.4883 to S$1.00) which approximate the rate of exchange at the end of the year. Such translation should not be construed as a representation that the RMB amounts could be converted into S$ at the above rate or other rate.

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 an investee 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 of the reporting year 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 recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

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.

Business Combinations

From 1 July 2009, a business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition 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. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities shall be recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss. There was no gain on bargain purchase. For business combinations achieved in stages, any equity interest held in the acquire is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combinations (continued)

Where the fair values are estimated on a provisional basis they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Goodwill

Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103 from 1 July 2009.

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.

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:

Leasehold property	–	3.3% to 5%
Plant and equipment	–	5% 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 profit or loss. The residual value and the useful life of an asset is reviewed at each end of reporting year, if expectations differ significantly 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 profit or loss when they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset 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 to use. The useful lives are as follows:

Licenses	–	10%
Customer relationships	–	10%

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 (CONTINUED)

Leases

Whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. 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. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position 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, 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 profit or loss 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 profit or loss 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 end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. 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 end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial Assets

Initial recognition and measurement and derecognition of financial assets:

A financial asset is recognised on the statement of financial position 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 profit or loss 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 or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

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 or loss: As at end of the reporting year 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 end of the reporting year there were no financial assets classified in this category.

4. Available for sale financial assets: As at end of the reporting year there were no financial assets classified in this category.

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 statement of cash flows 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 statement of financial position 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 profit or loss 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities (Continued)

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 or loss: As at end of the reporting year 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 instruments 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 differences 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 or by using an acceptable valuation technique. 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 for liability held, the asking price. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique. The fair value measurements are classified using a fair value hierarchy of 3 levels that reflects the significance of the inputs used in making the measurements, that is, Level 1 for the use of quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 for the use of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and Level 3 for the use of inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Where observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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 declared by directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss in the period they occur.

Government Grants

A government grant is recognised at fair value when there is reasonable assurance that the condition attaching to it will be complied with and that the grant will be received. A grant in recognition of specific expenses is recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

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 end of the reporting year, 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.

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 generally analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, 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 other factors which could change significantly as a result of innovations and competitor actions in response to 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 assets that have been abandoned. 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 RMB184,663,000 (2009: RMB119,232,000).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax asset estimation:

Management judgment is required in determining the amount of current and deferred tax recognised as income or expense and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is more likely than not that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgmental and not susceptible to precise determination. The amount of the deferred tax asset at the end of the reporting year was RMB3,627,000 (2009: NIL).

Land use rights:

The group has land use rights stated at carrying value of RMB54,261,000 (2009: RMB45,026,000). An assessment is made at each reporting date whether there is any indication that the assets may be impaired. If any indication exists, an estimate is made of the recoverable amount of the assets. The recoverable amount of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. 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.

Carrying value of intangible asset:

An assessment is made of the carrying value of identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Amounts estimated could differ materially from what will actually occur in the future.

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. The definition includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

3.1 Related companies:

Related companies in these financial statements are 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. RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2010	2009
	RMB'000	RMB'000
Acquisition of subsidiary	–	9,000
Sales of goods (*)	58,508	55,362
Rental expenses	8,299	5,294
Purchase of goods	2,350	1,961
Freight charges	2,885	2,779
Purchase of plant and equipment	–	410
(*) Included in these amounts are export sales to overseas customers through a related party:	29,695	29,421

3.3 Key management compensation:

	Group	
	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	5,633	4,836

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

	2010	2009
	RMB'000	RMB'000
Remuneration of directors of the company	2,780	2,101
Fees to directors of the company	1,394	1,268

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

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

3. RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2010	2009	2010	2009
Directors:	RMB'000	RMB'000	RMB'000	RMB'000
Other payables:				
Balance at beginning of year	(661)	(171)	(163)	(171)
Amounts paid out and settlement of liabilities on behalf of another party	661	1,612	163	2,110
Amounts paid in and settlement of liabilities on behalf of the company	–	(2,102)	–	(2,102)
Balance at end of year (Note 22)	–	(661)	–	(163)

	Group	
	2010	2009
Other related parties:	RMB'000	RMB'000
Other payables:		
Balance at beginning of year	(15,551)	(116)
Amounts paid out and settlement of liabilities on behalf of another party	12,633	3,010
Amounts paid in and settlement of liabilities on behalf of the company	(3,286)	(18,445)
Balance at end of year (Note 22)	(6,204)	(15,551)

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

FRS 108 Operating Segments was applied for the first time this year. FRS 108 requires the disclosure of information about operating segments, products and services, the geographical areas, and the major customers. It is a disclosure standard which results in a redesignation of the group's reportable segments, but has no impact on the reported results or financial position of the group. The segment information for the prior year that is reported as comparative information is restated to conform to the requirements of FRS 108.

For management purposes the group is organised into four major operating segments: explosives devices, industrial fuse and initiating explosives devices, industrial detonators and ammonium nitrate. Such a 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 management reports its primary segment information. They are managed separately because each business requires different strategies.

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.

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 as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, amortisation, interests and income taxes (called "Recurring EBITDA") and (2) operating result before interests and income taxes and other unallocated items (called "ORBIT").

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4B. Profit or Loss from Continuing Operations and Reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing Operations 2010						
Revenue by Segment	83,756	97,259	65,437	75,321	950	322,723
Total revenue	83,756	97,259	65,437	75,321	950	322,723
Recurring EBITDA	18,498	49,117	32,225	6,988	746	107,574
Depreciation	(1,164)	(117)	(4,933)	(3,978)	(4,032)	(14,224)
Amortisation	(432)	–	(31)	(1,621)	–	(2,084)
ORBIT	16,902	49,000	27,261	1,389	(3,286)	91,266
Interest income					228	228
Finance costs					(2,363)	(2,363)
Unallocated corporate expenses					(30,761)	(30,761)
Profit before tax from continuing operations						58,370
Income tax expense						(11,157)
Profit from continuing operations						47,213

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing Operations 2009						
Revenue by Segment	69,274	71,510	49,934	18,895	1,282	210,895
Total revenue	69,274	71,510	49,934	18,895	1,282	210,895
Recurring EBITDA	15,527	34,803	18,763	1,140	1,980	72,213
Depreciation	(1,070)	(325)	(357)	(350)	(1,055)	(3,157)
Amortisation	–	–	–	(90)	–	(90)
ORBIT	14,457	34,478	18,406	700	925	68,966
Interest income					277	277
Finance costs					(530)	(530)
Unallocated corporate expenses					(26,619)	(26,619)
Profit before tax from continuing operations						42,094
Income tax expense						(7,158)
Profit from continuing operations						34,936

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4C. Assets and Reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010						
Total assets for reportable segments	52,551	6,273	104,975	120,208	–	284,007
Unallocated:						
Property, plant and equipment					22,961	22,961
Deferred tax assets					3,627	3,627
Inventories					21,729	21,729
Trade and other receivables					85,162	85,162
Other assets					19,301	19,301
Cash and cash equivalents					96,139	96,139
Total group assets	52,551	6,273	104,975	120,208	248,919	532,926

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009						
Total assets for reportable segments	51,154	6,167	89,244	124,114	–	270,679
Unallocated:						
Property, plant and equipment					4,090	4,090
Inventories					29,512	29,512
Trade and other receivables					109,410	109,410
Other assets					20,127	20,127
Cash and cash equivalents					75,867	75,867
Total group assets	51,154	6,167	89,244	124,114	239,006	509,685

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4D. Liabilities and Reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2010						
Total liabilities for reportable segments	586	450	850	83,601	–	85,487
Unallocated:						
Income tax payable					7	7
Trade and other payables					89,211	89,211
Other liabilities					1,471	1,471
Other financial liabilities					246	246
Total group liabilities	586	450	850	83,601	90,935	176,422

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009						
Total liabilities for reportable segments	716	520	1,500	101,578	–	104,314
Unallocated:						
Income tax payable					4,266	4,266
Trade and other payables					90,784	90,784
Other liabilities					1,564	1,564
Other financial liabilities					292	292
Total group liabilities	716	520	1,500	101,578	96,906	201,220

4E. Other Material Items and Reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other non-cash expenses other than depreciation/ amortisation:						
2010	–	–	–	–	4,854	4,854
2009	–	–	–	–	3,549	3,549
Expenditures for non-current assets:						
2010	3,590	188	16,245	10,845	23,505	54,373
2009	24,734	191	65,789	13,178	732	104,624

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4F. Geographical Information

The following table provides an analysis of the group revenue by geographical market irrespective of the origin of the goods and services and non-current assets by geographical market:-

	Revenue		Non-current assets	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within PRC	274,699	163,188	247,161	203,113
Outside PRC:				
Sales through export distributors	3,290	14,034	–	–
Australia	35,556	26,083	–	–
Singapore	–	–	343	376
Others (*)	9,178	7,590	–	–
Subtotal for all foreign countries	48,024	47,707	343	376
Total continuing operations	322,723	210,895	247,504	203,489

(*) Others include Kyrgyzstan, Mongolia, Indonesia, etc.

Revenues are attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

5. REVENUE

	Group	
	2010	2009
	RMB'000	RMB'000
Sale of goods	322,723	210,895

6. INTEREST INCOME AND (FINANCE COSTS)

	Group	
	2010	2009
	RMB'000	RMB'000
Interest income	228	277
Bank interest expense	(2,765)	(1,276)
Finance lease interest expense	(15)	(19)
Less: amounts included in qualifying assets (Note 12)	417	765
Net	(2,135)	(253)
Presented in profit or loss as:		
Interest Income	228	277
Finance Costs	(2,363)	(530)
Net	(2,135)	(253)

7. OTHER CREDITS AND (OTHER CHARGES)

	Group 2010 RMB'000	Group 2009 RMB'000
Foreign exchange adjustment (loss)/gain	(751)	1,126
Goodwill written-off	(31)	–
Loss on disposal of plant and equipment	(122)	(18)
Government grant	604	550
Allowance for impairment on trade and other receivables – loss	(4,701)	(3,531)
Allowance for impairment on trade receivables – reversal	14	–
Net	(4,987)	(1,873)
Presented in profit or loss as:		
Other Credits	618	1,676
Other Charges	(5,605)	(3,549)
Net	(4,987)	(1,873)

8. EMPLOYEE BENEFITS EXPENSE

	Group 2010 RMB'000	Group 2009 RMB'000
Employee benefits expense	32,352	27,577
Contributions to defined contribution plans	6,638	4,176
Total employee benefits expense	38,990	31,753

The employee benefit expense is charged as follows:

	Cost of Sales RMB'000	Distribution Costs RMB'000	Administrative Expense RMB'000	Total RMB'000
Group:				
2010	25,836	2,240	10,914	38,990
2009	21,422	1,533	8,798	31,753

9. INCOME TAX EXPENSE

9A. Components of tax expense (income) recognised in profit or loss include:

	Group 2010 RMB'000	Group 2009 RMB'000
Current tax expense		
Current tax expense	11,030	7,158
Under adjustments to current tax in respect of prior periods	4,501	–
Subtotal	15,531	7,158
Deferred tax income		
Deferred tax income	(4,374)	–
Subtotal	(4,374)	–
Total income tax expense	11,157	7,158

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2009: 17%) to profit before income tax as a result of the following differences:

	Group 2010 RMB'000	Group 2009 RMB'000
Profit Before Tax	58,370	42,094
Income tax expense at the above rate	9,923	7,156
(Not liable to tax)/ not deductible items	(874)	2,208
Under adjustments to tax in respect of prior periods	4,501	–
Effect of different tax rate in foreign countries	5,598	3,969
Tax exemptions	(7,991)	(6,175)
Total income tax expense	11,157	7,158

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 and with effect from 1 January 2010, this subsidiary is subject to the prevailing statutory income tax rate. The prevailing PRC statutory income tax rate is 25%.

There are no income tax consequences of dividends to owners of the company.

9B. Deferred tax expense (income) recognised in profit or loss include:

	Group 2010 RMB'000	Group 2009 RMB'000
Reversal of deferred tax liabilities arising from fair value adjustments recognised on acquisition of subsidiary	(747)	–
Allowance for impairment of trade and other receivables	(2,031)	–
Accrual for safety expenses	(1,596)	–
Total deferred income tax income recognised in profit or loss	(4,374)	–

9. INCOME TAX EXPENSE (CONTINUED)

9C. Deferred tax balance in the statement of financial position:

	Group	
	2010	2009
	RMB'000	RMB'000
Deferred tax assets (liabilities) recognised in profit or loss:		
Excess of net book value of plant and equipment over tax values	(2,641)	–
Excess of net book value of land use rights over tax values	(1,418)	–
Excess of net book value of licences and customer relationship over tax values	(1,851)	–
Allowance for impairment of trade and other receivables	2,031	–
Accrual for safety expenses	1,596	–
Net balance	(2,283)	–

	Group	
	2010	2009
	RMB'000	RMB'000
Presented in the statement of financial position as follows:		
Deferred tax liabilities	(5,910)	–
Deferred tax assets	3,627	–
Net position	(2,283)	–

It is impracticable to estimate the amount expected to be settled or used within one year.

The realisation of the future income tax benefits from tax loss carryfowards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

At the end of the reporting year, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Subsidiary	3,117	1,453

10. EARNINGS PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2010	2009
A. Numerators: earnings attributable to equity:		
Continuing operations: attributable to equity holders (RMB'000)	47,213	34,936
B. Denominators: weighted average number of equity shares		
Basic and Diluted (RMB'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. ITEMS IN THE PROFIT OR LOSS

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

	Group	
	2010	2009
	RMB'000	RMB'000
Non-audit fees paid to the statutory auditors of the company included under administrative expenses	10	17

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property	Plant and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 April 2008	–	26,918	26,345	53,263
Arising from acquisition of subsidiary	1,445	37,343	15,862	54,650
Additions	2,188	36,151	31,368	69,707
Reclassification	46,570	7,775	(54,345)	–
Disposals	–	(118)	–	(118)
Foreign exchange adjustments	–	(74)	–	(74)
At 31 March 2009	50,203	107,995	19,230	177,428
Additions	3,012	37,369	9,748	50,129
Reclassification	–	27,133	(27,133)	–
Disposals	–	(1,041)	–	(1,041)
Adjustment to initial accounting for a business combination (Note 24)	(177)	(16,250)	(668)	(17,095)
Foreign exchange adjustments	–	31	–	31
At 31 March 2010	53,038	155,237	1,177	209,452
Accumulated depreciation and impairment:				
At 1 April 2008	–	6,639	–	6,639
Arising from acquisition of subsidiary				
– depreciation	222	9,211	–	9,433
– impairment	162	19,649	–	19,811
Depreciation for the year	21	3,136	–	3,157
Disposals	–	(53)	–	(53)
Foreign exchange adjustments	–	(21)	–	(21)
At 31 March 2009	405	38,561	–	38,966
Depreciation for the year	2,435	11,789	–	14,224
Disposals	–	(333)	–	(333)
Adjustment to initial accounting for a business combination (Note 24)				
- depreciation	(207)	(9,226)	–	(9,433)
- impairment	(162)	(19,649)	–	(19,811)
Foreign exchange adjustments	–	(1)	–	(1)
At 31 March 2010	2,471	21,141	–	23,612
Net book value:				
At 1 April 2008	–	20,279	26,345	46,624
At 31 March 2009	49,798	69,434	19,230	138,462
At 31 March 2010	50,567	134,096	1,177	185,840

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plant and equipment
	RMB'000
Cost:	
At 1 April 2008	1,106
Additions	15
Foreign exchange adjustments	(74)
At 31 March 2009	1,047
Foreign exchange adjustments	31
At 31 March 2010	1,078
Accumulated depreciation:	
At 1 April 2008	625
Depreciation for the year	67
Foreign exchange adjustments	(21)
At 31 March 2009	671
Depreciation for the year	65
Foreign exchange adjustments	(1)
At 31 March 2010	735
Net book value:	
At 1 April 2008	481
At 31 March 2009	376
At 31 March 2010	343

i) Certain equipment of the group and the company are held under finance lease (Note 21A).

ii) Assets under construction represent cost incurred for the construction of a production facility.

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:				
2010	12,279	1,187	758	14,224
2009	2,225	932	–	3,157

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.1065% to 12.65% (2009: 6.1065% to 13.68%) on the expenditure on such assets. The amounts are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Borrowing costs capitalised included in additions during the year	417	765
Accumulated interest capitalised included in the cost total	1,182	765

13. INTANGIBLE ASSETS

	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Goodwill (Note 13A)	–	20,001	–	–
Other intangible assets (Note 13B)	7,403	–	–	–
Total	7,403	20,001	–	–

13A. Goodwill

	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Cost:				
Balance at beginning of the year	20,001	–	–	–
Arising from acquisition of subsidiary (Note 24)	–	20,001	–	–
Adjustment to initial accounting for a business combination (Note 24)	(19,970)	–	–	–
Goodwill written-off during the year	(31)	–	–	–
Balance at end of the year	–	20,001	–	–

13B. Other Intangible Assets

Group	Licenses RMB'000	Customer relationships RMB'000	Total RMB'000
Cost:			
At 1 April 2009	–	–	–
Adjustment to initial accounting for a business combination (Note 24)	4,833	3,792	8,625
At 31 March 2010	4,833	3,792	8,625
Accumulated Amortisation:			
At 1 April 2009	–	–	–
Amortisation for the year	685	537	1,222
At 31 March 2010	685	537	1,222
Net Book Value:			
At 31 March 2009	–	–	–
At 31 March 2010	4,148	3,255	7,403

14. OTHER ASSETS

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current:				
Land use rights (Note 14A)	54,261	45,026	–	–
Subtotal	54,261	45,026	–	–
Current:				
Prepayments	743	415	101	97
Advances to suppliers	26,399	26,295	–	–
Advances to staff	511	790	–	–
Subtotal	27,653	27,500	101	97
	81,914	72,526	101	97

14A Land Use Rights

Group	2009
	RMB'000
Cost:	
At 1 April 2008	–
Acquisition of subsidiary	10,603
Addition for the year	34,917
At 31 March 2009	45,520
Addition for the year	4,244
Adjustment to initial accounting for a business combination (Note 24)	5,853
At 31 March 2010	55,617
Accumulated amortisation:	
At 1 April 2008	–
Acquisition of subsidiary	404
Amortisation for the year	90
At 31 March 2009	494
Amortisation for the year	862
At 31 March 2010	1,356
Net book value:	
At 1 April 2008	–
At 31 March 2009	45,026
At 31 March 2010	54,261

(i) Included in the land use rights are few plots of land at Fei County, Linyi City on which certain of the group's production facilities are located. As at 31 March 2010, the group had not obtained the legal title to the few plots of land, except for one plot of land. The group has estimated the cost of the remaining land use rights to be approximately RMB 12.2 million, of which only RMB 1.0 million was already paid.

14. OTHER ASSETS (CONTINUED)

14A Land Use Rights (Continued)

(ii) The group has obtained the legal title to the land use rights for the land at Zaozhuang City. However, the consideration for this plot of land has yet to be finalised with the local government authorities. As at 31 March 2010, the cost of the land use rights, included in the financial statements, has been estimated to be RMB 17.0 million based on an independent valuation report.

Detail of the group's land use rights (excluding those plots of land located in Fei County, Linyi City that has yet to receive the land use rights):

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
Taoyuan Village, Feicheng Town, Fei County, Linyi City	49,511.0	29 January 2010	16 December 2059

15. INVESTMENT IN SUBSIDIARIES

	Company 2010	Company 2009
	RMB'000	RMB'000
Unquoted equity shares at cost	113,143	113,143
Foreign currency translation difference	(2,958)	(11,967)
	110,185	101,176
Net book value of subsidiaries	338,816	286,800
Analysis of above amount denominated in non-functional currency:		
China RMB	338,816	286,800

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 2010	Cost of the Investment 2009	Percentage of equity held by Group 2010	Percentage of equity held by Group 2009
	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
Held by Shandong Yinguang Technology Co., Ltd:				
Hebei Yinguang Chemical Co., Ltd. People's Republic of China Production and sale of ammonium nitrate (a)	10,161	10,161	100	100

15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(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 its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

16. INVENTORIES

	Group	
	2010	2009
	RMB'000	RMB'000
Raw materials	26,318	32,834
Work-in-progress	593	737
Finished goods	20,852	13,430
Balance at end of the year	47,763	47,001
Changes in inventories of finished goods and work in progress	(7,278)	(7,875)
Raw materials and consumables used	147,622	90,463

There are no inventories pledged as security for liabilities.

17. TRADE AND OTHER RECEIVABLES, CURRENT

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	91,917	91,721	–	–
Less allowance for impairment	(8,318)	(3,692)	–	–
Related party (Note 3)	14,441	29,453	–	–
Sub-total	98,040	117,482	–	–
Other receivables:				
Other receivables	1,026	1,738	–	1
Less allowance for impairment	(202)	(146)	–	–
Tax recoverable	260	–	–	–
Subsidiary (Note 3)	–	–	26,323	14,688
Sub-total	1,084	1,592	26,323	14,689
Total trade and other receivables	99,124	119,074	26,323	14,689

17. TRADE AND OTHER RECEIVABLES, CURRENT (CONTINUED)

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Movement in the above allowance – trade receivables				
Balance at beginning of the year	(3,692)	–	–	–
Acquisition of subsidiary	–	(161)	–	–
Charge to profit or loss included in other charges	(4,626)	(3,531)	–	–
Balance at end of the year	(8,318)	(3,692)	–	–
Movement in the above allowance – other receivables				
Balance at beginning of the year	(146)	–	–	–
Acquisition of subsidiary	–	(146)	–	–
Charge to profit or loss included in other charges	(75)	–	–	–
Reversed to profit or loss included in other credits	14	–	–	–
Allowance written-off	5	–	–	–
Balance at end of the year	(202)	(146)	–	–

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not restricted in use	107,255	112,621	285	256
Interest earning balances	106,970	112,365	–	–

The rate of interest for the cash on interest earning account is 1.0% (2009: 1.0%) per annum.

19. 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 the year 1 April 2008 and at end of the year 31 March 2009 and 31 March 2010	234,000,000	23,458,985	116,848,607

19. SHARE CAPITAL (CONTINUED)

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.

Capital management:

The objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, 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 therefore does not provide a meaningful indicator of the risk of borrowings.

20. OTHER RESERVES

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency translation reserve	451	(375)	(2,506)	(12,342)
Statutory reserve	33,360	28,132	–	–
	33,811	27,757	(2,506)	(12,342)

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 foreign currency translation reserve accumulates all foreign exchange difference arising from the translation of the parent company's financial statements to RMB.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

21. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Finance leases (Note 21A)	171	226	171	226
Current:				
Finance leases (Note 21A)	75	66	75	66
Bank loans I (Note 21B)	3,000	8,000	–	–
Bank loans II (Note 21C)	18,000	15,000	–	–
Third party loan (Note 21D)	22,606	26,622	–	–
Current, total	43,681	49,688	75	66
Total	43,852	49,914	246	292

21A Finance leases

Group and Company	Minimum payments	Finance charges	Present value
2010	RMB'000	RMB'000	RMB'000
Minimum lease payments payable:			
Due within 1 year	86	11	75
Due within 2 to 5 years	181	10	171
Total	267	21	246
Net book value of plant and equipment under finance leases			335

	Minimum payments	Finance charges	Present value
2009	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

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 2010, the average effective borrowing rate is 6.61% (2009: 6.61% per annum). 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.

21. OTHER FINANCIAL LIABILITIES (CONTINUED)

21B 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 11.2 million. They bear fixed interest rate of 6.1065% per annum.

21C Bank Loans II

The short-term bank loans of RMB 18 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 12.65% per annum.

21D 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 2.5 million (2009: RMB 9.8 million) which bears fixed interest at 12% per annum. The remaining balance is interest-free. These loans have no fixed term of repayable.

22. TRADE AND OTHER PAYABLES, CURRENT

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Outside parties and accrued liabilities	55,253	49,354	4,412	3,090
Bills payable	10,000	30,000	–	–
Related parties (Note 3)	1,450	1,397	–	–
VAT payables	4,841	6,434	–	–
Subtotal	71,544	87,185	4,412	3,090
Other payables:				
Related parties (Note 3)	6,204	15,551	–	–
Director (Note 3)	–	661	–	163
Payable for land use rights (Note 14A)	28,233	32,315	–	–
Outside parties	17,276	8,345	97	48
Subtotal	51,713	56,872	97	211
Total trade and other payables	123,257	144,057	4,509	3,301

23. OTHER LIABILITIES, CURRENT

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	3,396	2,009	–	–

24. ACQUISITION OF SUBSIDIARY

On 31 October 2008, the Group acquired 100% of the share capital of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), 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 and under the old FRS 103 that was applicable before 1 July 2009.

For the purpose of preparing the financial statements for the financial year ended 31 March 2009, the Group recorded the preliminary fair values of the net identifiable assets acquired.

The contributions from the acquired subsidiary for the period between the date of acquisition and the year ended 31 March 2009 were as follows:

	Group	
	From date of acquisition till 31 March 2009	For the year ended 31 March 2009
	RMB'000	RMB'000
Profit before income tax	202	982

24. ACQUISITION OF SUBSIDIARY (CONTINUED)

Following the completion of the final purchase price allocation during the financial year, the group made adjustments to the provisional fair values originally recorded in the prior year. The effect of the adjustments made during the 12 month period from acquisition date (the "Window Period") is set out below:

Group (RMB'000)	Notes	Fair values recognized on acquisition (provisional)	Adjustments during Window Period	Adjusted fair values recognized on acquisition (Final)
Non-current assets				
Property, plant and equipment	12	25,406	12,149	37,555
Customer relationships	13B	–	3,792	3,792
Licenses	13B	–	4,833	4,833
Land use rights	14A	10,199	5,853	16,052
Total non-current assets		35,605	26,627	62,232
Current assets				
Inventories		4,806	–	4,806
Trade and other receivables		16,946	–	16,946
Other assets		9,457	–	9,457
Cash and cash equivalents		38,289	–	38,289
Total current assets		69,498	–	69,498
Total assets		105,103	26,627	131,730
Non-current liabilities				
Deferred tax liabilities		–	6,657	6,657
Other financial liabilities		27,167	–	27,167
Total non-current liabilities		27,167	6,657	33,824
Current liabilities				
Income tax Payable		973	–	973
Trade and other payable		65,479	–	65,479
Other financial liabilities		21,000	–	21,000
Other liabilities		324	–	324
Total current liabilities		87,776	–	87,776
Total liabilities		114,943	6,657	121,600
Net identifiable assets and liabilities		(9,840)	19,970	10,130
Goodwill on acquisition	13A	20,001	(19,970)	31
Total cost of acquisition		10,161	–	10,161
Satisfied by:				
Cash consideration		10,161		
Cash balance acquired		(38,289)		
Net cash inflow on acquisition		(28,128)		

Purchase price adjustments, which are non-cash in nature, made during the Window Period have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, are immaterial to the group.

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

25A. 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 reporting year by FRS 39 categories:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Cash and cash equivalents	107,255	112,621	285	256
Loans and receivables	99,124	119,074	26,323	14,689
At end of the year	206,379	231,695	26,608	14,945
Financial liabilities:				
Borrowings at amortised cost	43,852	49,914	246	292
Trade and other payables at amortised cost	123,257	144,057	4,509	3,301
At end of the year	167,109	193,971	4,755	3,593

Further quantitative disclosures are included throughout these financial statements.

There are no significant fair value measurements recognised in the statement of financial position.

25B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. The management has certain practices 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 guidelines include the following:

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.

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

25C. Fair Values of Financial Instruments

The financial assets and financial liabilities at amortised cost are at a carrying amount that is a reasonable approximation of fair value.

25D. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the entity would have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks and any derivative financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. 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. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 18 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to local PRC trade receivable customers is about 90 days (2009: 90 days) and to overseas customers is about 150 days (2009: 150 days).

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired

	Group	
	2010	2009
	RMB'000	RMB'000
Trade receivables:		
91 - 180 days	17,559	31,202
181 days to 1 year	18,836	9,945
Over 1 year	1,532	2,453
Total	37,927	43,600

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2010	2009
	RMB'000	RMB'000
Trade receivables:		
181 days to 1 year	710	–
Over 1 year	7,608	3,692
Total	8,318	3,692

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

25D. Credit Risk on Financial Assets (Continued)

The allowance which is disclosed in the Note 17 on trade receivables is based on individual accounts totalling RMB8,318,000 (2009: RMB3,692,000) that are determined to be impaired at end of reporting year. These are not secured.

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

Concentration of trade receivable customers as at end of reporting year:

	2010	2009
	RMB'000	RMB'000
Group:		
Top 1 customer	10,576	25,606
Top 2 customers	17,538	35,861
Top 3 customers	24,199	42,712

25E. Liquidity Risk

The following table analyses the non-derivate financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
2010:			
Gross borrowings commitments	43,606	–	43,606
Gross finance lease obligations	86	181	267
Trade and other payables	123,257	–	123,257
At end of the year	166,949	181	167,130

Group	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
2009			
Gross borrowings commitments	49,622	–	49,622
Gross finance lease obligations	80	246	326
Trade and other payables	144,057	–	144,057
At end of the year	193,759	246	194,005

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

25E. Liquidity Risk (Continued)

Company	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
2010:			
Gross finance lease obligations	86	181	267
Trade and other payables	4,509	–	4,509
At end of the year	4,595	181	4,776

Company	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
2009			
Gross finance lease obligations	80	246	326
Trade and other payables	3,301	–	3,301
At end of the year	3,381	246	3,627

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 90 days (2009: 90 days). The other payables are with short-term durations. Apart from the classification of the liabilities in the statement of financial position, no further analysis is deemed necessary.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

25F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Floating rates	106,970	112,365	–	–
At end of the year	106,970	112,365	–	–
Financial liabilities:				
Fixed rates	23,776	33,093	246	292
At end of the year	23,776	33,093	246	292

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis: The interest expense is not significant.

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

25G. Foreign Currency Risks

Analysis of amount denominated in non-functional currency:

Group	Cash and cash equivalents	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Financial assets:			
2010:			
Singapore Dollars	285	–	285
2009:			
Singapore Dollars	256	1	257

	Borrowings	Trade and other payables	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities:			
2010:			
Singapore Dollars	246	4,509	4,755
2009:			
Singapore Dollars	292	3,301	3,593

Company	Cash and cash equivalents	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Financial assets:			
2010:			
Singapore Dollars	285	26,323	26,608
2009:			
Singapore Dollars	256	14,689	14,945

	Borrowings	Trade and other payables	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities:			
2010:			
Singapore Dollars	246	4,509	4,755
2009:			
Singapore Dollars	292	3,301	3,593

25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

25G. Foreign Currency Risks (Continued)

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

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

26. 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	
	2010	2009
	RMB'000	RMB'000
Not later than one year	4,690	8,280
Later than one year and not later than five years	–	4,690
Rental expense for the year	8,299	5,294

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 not subject to an escalation clause.

27. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the year ended 31 March 2010, the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements (Revised)
FRS 18	Revenue (Amendments)
FRS 23	Borrowing Costs (Amendments)
FRS 32	Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments) (*)
FRS 27	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
FRS 102	Share-based Payment – Vesting Conditions and Cancellations (Amendments) (*)
FRS 103	Business Combinations and consecutive amendments in other FRSs (Revised)
FRS 107	Financial Instruments: Disclosures (Amendments)
FRS 108	Operating Segments
INT FRS 109	Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives (Amendments) (*)
INT FRS 113	Customer Loyalty Programs (*)
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (*)
INT FRS 117	Distributions of Non-cash Assets to Owners (*)
INT FRS 118	Transfers of Assets from Customers (*)

(*) Not relevant to the entity.

The main objective of revising FRS 1 was to aggregate information in the financial statements on the basis of shared characteristics. All owner changes in equity is presented in the statement of changes in equity, separately from non-owner changes in equity. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs. It introduces a requirement to include in a complete set of financial statements, a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

28. 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 is 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 38	Intangible Assets (Amendments)	01.07.2009
FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Item (Amendments) (*)	01.07.2009
FRS 102	Share-based Payment (Amendments) (*)	01.07.2009
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	01.07.2009
INT FRS 109	Reassessment of Embedded Derivatives (Amendments) (*)	01.07.2009
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (Amendments) (*)	01.07.2009
INT FRS 117	Distributions of Non-cash Assets to Owners (*)	01.07.2009
INT FRS 118	Transfers of Assets from Customers (*)	01.07.2009
FRS 1	Presentation of Financial Statements (Amendments)	01.01.2010
FRS 7	Statement of Cash Flows (Amendments)	01.01.2010
FRS 17	Leases (Amendments)	01.01.2010
FRS 36	Impairment of Assets (Amendments)	01.01.2010
FRS 39	Financial Instruments: Recognition and Measurement (Amendments)	01.01.2010
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	01.01.2010
FRS 108	108 Operating Segments (Amendments)	01.01.2010

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

AS AT 16 JUNE 2010

Issued and fully paid-up capital	:	RMB 116,848,607
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	574	50.98	3,765,000	1.61
10,001 - 1,000,000	537	47.69	30,636,000	13.09
1,000,001 and above	15	1.33	199,599,000	85.30
Total :	**1,126**	**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	18,334,000	7.84
4	Lombard Inc.	8,604,000	3.68
5	Citibank Nominees Singapore Pte Ltd	5,101,000	2.18
6	Bao Hongwei	4,788,000	2.05
7	Tan Geok Bee	4,231,000	1.81
8	Raffles Nominees Pte Ltd	3,590,000	1.53
9	Phillip Securities Pte Ltd	1,796,000	0.77
10	Bank of China Nominees Pte Ltd	1,665,000	0.71
11	Chua Sek How	1,407,000	0.60
12	HL Bank Nominees (S) Pte Ltd	1,210,000	0.52
13	UOB Kay Hian Pte Ltd	1,108,000	0.47
14	John Tullis Blair	1,063,000	0.45
15	OCBC Securities Private Ltd	1,036,000	0.44
16	CIMB Securities (Singapore) Pte Ltd	918,000	0.39
17	Citibank Consumer Nominees Pte Ltd	901,000	0.39
18	Toh Cho Boon	822,000	0.35
19	Hong Pian Tee	722,000	0.31
20	DBS Vickers Securities (S) Pte Ltd	710,000	0.30
	Total :	**203,672,000**	**87.04**

STATISTICS OF SHAREHOLDINGS

AS AT 16 JUNE 2010

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 16 June 2010.

	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	18,334,000	7.84	–	–
Lombard Inc.	8,604,000	3.68	–	–
Sun Bowen (1)	–	–	75,700,000	32.35
Dr. Lim Seck Yeow (2)	–	–	18,334,000	7.84
Tan Geok Bee (3)	4,231,000	1.81	18,334,000	7.84
Bao Hongwei (4)	4,788,000	2.05	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 16 June 2010, approximately 22.38% 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, Jurong, Singapore 619745 on Thursday, 22 July 2010 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 2010 together with the Directors' Report and Auditors' Report thereon. **Resolution 1**

2. To declare a first and final tax exempt one-tier dividend of S$0.005 per ordinary share for the financial year ended 31 March 2010. **Resolution 2**

3. To approve the payment of Directors' Fees of S$291,200 for the financial year ended 31 March 2010 (2009: S$262,000). **Resolution 3**

4. 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 4**

   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.

5. To note that Mr Lim Hui Min John, who is retiring under Article 107 of the Company's Articles of Association, has decided not to seek re-election.
   [See Explanatory Note (i)]

6. To re-elect Mr Peter Neville Hogan who is retiring under Article 107 of the Company's Articles of Association. **Resolution 5**

7. To re-elect Mr Wee Phui Gam who is retiring under Article 117 of the Articles of Association. **Resolution 6**

8. To re-elect Mr Christopher Michael Furnell who is retiring under Article 117 of the Articles of Association. **Resolution 7**

9. 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 8**

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

AS SPECIAL BUSINESS

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

11. SHARE ISSUE MANDATE **Resolution 9**

    "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 (ii)]

12. PLACEMENT OF SHARES UNDER THE SHARE ISSUE MANDATE AT A DISCOUNT OF NOT MORE THAN 20% **Resolution 10**

"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 twenty 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 (iii)]

13. PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS **Resolution 11**

"THAT:-

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), 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 is 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 or in the interest of the Company to give effect to the Mandate and/or this Resolution."

BY ORDER OF THE BOARD

TAN MIN-LI
COMPANY SECRETARY
SINGAPORE
7 July 2010

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes: -

(i) Mr Lim Hui Min John will retire as a Director of the Company at the conclusion of the Annual General Meeting. As such, he will concurrently cease to be the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee. The appointment of his replacement for each Committee will be announced in due course.

(ii) Resolution No. 9 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. 9 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. 9 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 and will be in effect until 31 December 2010 or such later date as may be determined by the SGX-ST.

(iii) Resolution No. 10 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 and will be in effect until 31 December 2010 or such later date as may be determined by the SGX-ST.

Notes: -

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

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

(iii) 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)

PROXY FORM

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.

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 22nd day of July, 2010 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 2010.		
2.	To declare a first and final tax exempt one-tier dividend of S$0.005 per ordinary share for the financial year ended 31 March 2010.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 March 2010.		
4.	To re-appoint Dr Lim Seck Yeow as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50.		
5.	To re-elect Mr Peter Neville Hogan as a Director under Article 107.		
6.	To re-elect Mr Wee Phui Gam as a Director under Artcle 117.		
7.	To re-elect Mr Christopher Michael Furnell as a Director under Article 117.		
8.	To re-appoint RSM Chio Lim LLP as Auditors and authorise Directors to fix their remuneration.		
Special Business			
9.	Approval of Share Issue Mandate.		
10.	Approval of placement of shares under the Share Issue Mandate at a discount of not more than 20%.		
11.	Proposed renewal of the shareholders' mandate for Interested Person Transactions.		

Dated this ________ day of ________________ 2010.

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 he 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.

FABCHEM CHINA LIMITED

39 Fishery Port Road, Jurong, Singapore 619745
Tel: (65) 6265 5918 Fax: (65) 6268 2447
www.fabchemchina.com