FABCHEM CHINA LIMITED

GROWING globally

ANNUAL REPORT 2011

CONTENTS

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"). Fabchem's products are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors. 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 of international-standard quality 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. As an established initiation systems producer, 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 is one of the main raw materials to manufacture explosives.

2011 HIGHLIGHTS

Building on our strategic partnership with Dyno Nobel (a business of Incitec Pivot Limited), we secured our maiden sale of boosters to Dyno Nobel Australia, the world's second largest commercial explosives manufacturer.

To obtain a permanent manufacturing base, we entered into a property transfer agreement to acquire the land and buildings at Fei County, Linyi City, Shandong Province in the PRC where the Group's main manufacturing facilities and warehouses are located for a total consideration of RMB 108.7 million.

With the ability to produce reliable, international-quality and cost-competitive commercial explosive products, our strategic focus is to increase sales across key product and market segments (domestically and globally).

While enhancing our value propositions to our customers, we will continue to maintain operational efficiencies and prudent cost management in our business activities.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

I am pleased to share the performance of Fabchem China Limited for the financial year 2011 ("FY2011").

Looking back in FY2011, Asia, particularly China, continues to set the pace for global economic growth even as concerns over the debt issues surrounding the European economies remain unabated.

Our key operating markets, notably in the mining, infrastructure and energy sectors, are driven by macro-economic factors. Hence, we have remained financially prudent as we navigate our business through different economic environments and chart new growth within this supply-regulated industry.

Nonetheless, I am pleased to announce that we have achieved double-digit revenue growth of 29.0% in FY2011, as strong demand from end-customers in the mining, infrastructure and energy sectors, provided significant growth momentum in our key product segments.

While we are encouraged by this set of results, we remain vigilant of rising raw materials costs and higher operating costs in our business activities.

I am pleased to report that we remain a focused, adequately-funded company with a growing business in our new and existing operating markets.

BROAD-BASED REVENUE GROWTH

In FY2011, we achieved record revenue of RMB 416.17 million with broad-based revenue growth driven by continued product and geographical diversification.

The Group's four product groups of (a) explosive devices (b) industrial fuses and initiating explosive devices, (c) industrial detonators and (d) explosive-grade ammonium nitrate steadily increased with growth rates of 14.5%, 4.5%, 12.7% and 91.8% respectively during FY2011.

Notably, the Group's wholly-owned subsidiary, Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), a major explosive-grade ammonium nitrate manufacturing company in China, achieved exceptional performance as a result of the marketing activities implemented during FY2011, which enhanced its brand recognition among existing and potential customers.

In FY2011, overseas revenue growth of 40.6% outpaced domestic revenue growth of 26.9% as a result of our strategy to diversify and expand our revenue stream geographically.

ENHANCED PRODUCTION CAPACITY

Amidst a supply-regulated industry, the Group has gradually expanded its production capabilities over the past years. The Group is currently the largest booster and detonating cords producer in China.

The Group has also announced that it has entered into a property transfer agreement to acquire the land and buildings ("the Property") at Fei County, Linyi City, Shandong Province in China where the Group's manufacturing facilities and warehouses are located for a total consideration of RMB 108.7 million.

The Group has been leasing the Property since 2004 with a current annual rental fee of RMB 8 million. The acquisition will be funded using internally-generated funds of RMB 38.7 million and bank loans of RMB 70 million.

With a total land area of 439,036 square metres and buildings with a total build-in area of 21,041 square metres, the proposed acquisition of the Property would allow us to secure a permanent base for our specialised manufacturing operations in Shandong. In addition, we also safeguard ourselves from any unexpected rental increment and risk of relocation.

Coupled together with our enhanced production capabilities, the Group will continue to improve product quality and extend our product offerings.

LETTER TO SHAREHOLDERS

BUSINESS SEGMENT ANALYSIS

On a year-on-year basis, the Group's four product groups registered revenue growth as improved economic conditions in key operating markets increased demand for mining, infrastructure and energy exploration activities.

In FY2011, sales of ammonium nitrate business increased almost one-fold to RMB 144.43 million and this has led to a significant change in our overall product sales-mix as ammonium nitrate contributed approximately 34.7% to total sales in FY2011 as compared to only 23.3% in FY2010.

Traditionally, ammonium nitrate's gross margin is lower than the other three product segments hence this has led to a decrease in overall gross margin. Furthermore, rising raw material prices (particularly explosives chemicals) associated with our three traditional product segments also contributed to the decrease in our overall gross profit margin to 30.1% in FY2011.

Moving forward, we will continue to enhance our marketing efforts to improve our product sales-mix towards higher-margin products within our operating markets.

FINANCIAL REVIEW

In FY2011, the Group's revenue jumped 29.0% to a record RMB 416.17 million with increased sales across core business units and market segments. Although overseas revenue growth outpaced domestic revenue growth, China continued to be the Group's main market as its robust economic growth and development boosted mining and infrastructure activities.

Revenue contribution from the domestic market accounted for 83.8% of the Group's FY2011 revenue. And within its growing overseas market, sales to Australia comprised the largest portion at RMB 39.28 million, which accounted for approximately 9.4% of total sales.

Most of our overseas sales are on an original equipment manufacturer ("OEM") basis, where we provide OEM services to global renowned commercial explosives players, such as Orica Limited. In FY2011, we recorded higher export sales to other mining countries such as Indonesia and Kyrgyzstan.

This represents strong global recognition of the Group's quality products and it is a testament to our established track record.

While the Group's overseas expansion strategy has taken shape, it is essential that we build on this momentum to harness more business opportunities in the overseas markets and enhance our market knowledge and service to these strategic customer bases.

Due to the higher proportion of lower-margin products (ammonium nitrate) in our overall product sales mix and rising raw material costs, the Group's gross profit margin saw a reduction of about 5.2 percentage points from FY2010's 35.3% to FY2011's 30.1%.

In tandem with the increase in sales revenue, distribution costs increased by about RMB 6.84 million or 38.7% to RMB 24.51 million in FY2011. Administrative expenses increased by about RMB 8.13 million or 26.5 % to RMB

38.84 million during this period. The increases were mainly due to increased transportation costs to serve end-market users directly; increased port charges due to higher export sales; increased administrative expenses related to the commencement of new boosters and piston non-electric detonator production facilities; and increased provision for safety expenses which was in tandem with the increase in sales revenue. The latter was 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 Shandong Yinguang Technology Co., Ltd ("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 FY2011 was 36.5%.

Notably, the Group's income tax expense in FY2011 increased by RMB 9.19 million, which contributed to approximately 77.3% of the drop (RMB 11.89 million) in net profit attributable to shareholders year-on-year.

While we have achieved a stable EBITDA of RMB 74.16 million in FY2011, as compared FY2010's RMB 76.06 million, profit attributable to shareholders dipped 25.2% to RMB 35.32 million attributed mainly to higher income tax expenses and higher raw material prices.

Our main priorities for the forthcoming year are to increase sales, further enhance operational efficiency and cost structure across our business activities.

HEALTHY BALANCE SHEET

Our financial position is a significant measure of our business stability, hence the Group has always been guided by a conservative financial management approach that is an integral part of the Group's business strategy.

Our balance sheet remained healthy with net assets of RMB 386.83 million as of 31 March 2011 with low gearing. This is an increase of 8.5% over FY2010's RMB 356.50 million. As of 31 March 2011, total outstanding short-term debts were RMB 39.52 million while long-term debts were approximately RMB 0.10 million.

Property, plant and equipment decreased by approximately RMB 4.56 million, mainly due to the depreciation charge of approximately RMB 15.99 million during the current financial year, which was partially offset by the purchase of miscellaneous equipment and machineries.

Land use rights decreased by approximately RMB 0.96 million due to the amortisation charge during the current financial year.

During FY2011, trade and other receivables increased by about RMB 17.04 million mainly due to the increase in sales revenue. Trade and other payables decreased by about RMB 21.11 million mainly due to the payment of land use right and payment to raw materials suppliers.

LETTER TO SHAREHOLDERS

CASH FLOW HIGHLIGHTS

Cash and cash equivalents at year-end 31 March 2011 was RMB 101.05 million, remaining on a relatively even keel year-on-year compared with FY2010's RMB 107.26 million. Net cash generated from operations was approximately RMB 17.35 million, mainly because of strong operating cash flows and offset by the payment to trade and other payables and increase in trade and other receivables. Net cash used in investing activities was approximately RMB 10.92 million primarily due to the purchase of miscellaneous property, plant and equipment. Meanwhile, net cash used in financing activities of approximately RMB 12.63 million was mainly due to interest and dividend payments and repayment of loans from third party.

OUTLOOK AND STRATEGY

The increased dependency on energy resources and commodities from a growing global population continues to underscore the strong business fundamentals of our core operating markets.

With repeat customers accounting for more than 80% of our average annual revenue, we have established a diversified clientele base of over 150 customers in the mining, infrastructure and exploration industries.

As part of our business strategies to enhance our value propositions to our customers, we will continue to build on our competitive strengths with the cost advantage and quality control capability of our enhanced production facilities in China.

We will continue to leverage on the close, collaborative relationship with our suppliers to mitigate the impact of rising raw materials costs. At the same time, we will continue to seek new avenues to reduce operating costs via our risk management strategy.

While the commercial explosives industry in China is very heavily regulated with restricted foreign involvement, this is in fact to our advantage as these regulations have benefited established companies like us.

For a start, the Chinese Ministry of Industry and Information Technology stopped issuing licenses to new explosives manufacturers in 2005 and they have been encouraging the commercial explosives industry to consolidate in order to boost market efficiency and safety standards.

At the same time, older and more hazardous commercial explosive products such as fuse caps are being phased out, thus creating a demand for more safety-oriented products of the types manufactured by the Group.

Beyond Group-wide developments, we will continue to strengthen our strategic ties and working relationship together with our strategic partner, Dyno Nobel (a business of Incitec Pivot Limited), building on business synergies. Dyno Nobel is the world's second largest commercial explosives player and owns a 29.9% stake in our company.

> To achieve sustainable long-term growth, it is essential that the Group continue to align its product portfolio with projected market trends and expand its business presence in new and existing markets.

Looking ahead, we remain well-positioned to play a vital role and enhance the value that we provide to our customers.

While we have seen encouraging demand from our customers, the global economy continues to experience uneven recovery. And as such, we continue to adopt a prudent outlook for FY2012.

CONCLUSION

In summary, we believe that the business is moving in the right direction as we continue to capitalise on new growth opportunities in this supply-regulated industry.

To achieve sustainable long-term growth, it is essential that the Group continue to align its product portfolio with projected market trends and expand its business presence in new and existing markets. Internally, the Group will also step up its focus on improving enhancing operational efficiency and reducing costs across the whole business.

DIVIDEND OF S$0.005 PER ORDINARY SHARE

The Group has adopted a dividend policy to pay out dividends of at least 10% of its annual profit attributable to shareholders.

And 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. This represents a dividend payout ratio of approximately 17.2% based on our FY2011's profit attributable to shareholders.

IN RECOGNITION AND APPRECIATION

On behalf of the Board, I would like to give thanks to all our shareholders, customers and business partners for their continued support. At the same time, I would like to extend appreciation to the entire management and staff for their dedication and commitment over the past year.

I would also like to take this opportunity to welcome our new Independent Director, Professor Jiang Rongguang, who was appointed in October 2010. Professor Jiang is an industry veteran with over 30 years of experience in China's commercial explosives industry and we are pleased to have his observations and advice to our Group.

Moving forward, we will continue to work together as one to enhance the Group's business synergies and capitalise on new growth opportunities in our niche market.

主席致词

尊敬的股东:

我很荣幸与你们分享中国杰化在2011财政年（“FY2011”）的业绩表现。

回首2011财政年，在欧洲经济体持续遭到债务危机笼罩的情况下，亚洲，尤其是中国，继续领导着全球经济复苏的步伐。

在我们的主要营运市场中， 采矿、基本设施建设以及能源勘探领域都被宏观的经济因素所牵引。因此，我们保持着谨慎的态度，并在各种经济环境中调整业务模式，往增长的道路迈进。

然而，我还是满意能够向大家宣布，来自我们的采矿、基本设施建设以及能源勘探领域的客户持续给予我们产品的肯定，为我们的主要产品创造显著的增长势头，促使我们在2011财政年取得了29.0%的双位数营业额增长。

虽然我们为这增长的业绩鼓舞，在此同时我们也对业务领域中上升的原材料成本和营运成本保持着高警觉性的监控。

我们依然在本集团的崭新与现有营运市场中，以专注的态度和充足的资金保持稳健的增长。

全方位的营业额增长

在2011财政年中，我们持续提供多样化的产品和不断往海外拓展业务，带动了我们营业额的全方位增长，从而取得了4亿1617万元人民币的总销售额。

集团的主要产品种类 (a)中继起爆具，震源药柱、(b)工业导爆索，塑料导爆管、(c)工业导爆管雷管和(d)炸药生产用硝酸铵，分别在2011财政年取得14.5%、4.5%、12.7%以及91.8%的平稳增长。

尤其，集团的全资附属公司河北银光化工有限公司（“河北银光”）在2011财政年通过有效的营销活动，取得卓越的业绩表现，并提升我们品牌在现有以及有潜力的顾客群中的声誉。河北银光在中国是一家大型的炸药生产用硝酸铵制造商。

在2011财政年，我们采取产品多样化及拓展海外收入来源的策略，促使我们在海外业绩的增长幅度达到40.6%，超越中国业绩增幅的26.9%。

增强产量

在此供应受管制的行业里，本集团在近几年逐渐扩展了其生产能力。本集团目前是中国最大的中继起爆具和工业导爆索制造商。

本集团也宣布，我们已经在中国山东省临沂市费县达成房地产转让协议，以1亿870万元人民币收购土地和建筑物（“物业”），让我们能够集中本集团的制造设施以及仓库设备。

本集团自2004年就租下此物业来经营业务，而在2011财政年里，该物业的租金是800万元人民币。这次的收购行动将会以内部资金的3870万元人民币以及7000万元人民币的银行贷款作为收购经费。

此物业涵盖了439,036平方米的总地积，以及21,041平方米的总建筑物面积，而此建议收购将为我们在山东的专业制造运作建立永久的基地。另外，我们也可确保集团不会受到突如其来的租金上调以及迁移风险。

配合我们所增强的生产能力，本集团将继续改善产品质量以及拓展产品种类。

业务领域分析

与去年同期相比，我们在采矿、基本设施建设以及能源勘探活动的主要营运市场在整体经济环境好转的驱动下出现稳健的需求，使本集团的四个产品种类都取得了业绩增长。

在2011财政年，硝酸铵的销售量增长了近一倍，达到1亿4443万元人民币。这也导致我们的总产品销售比例有了明显的改变。硝酸铵在2011财政年占总业绩的大约34.7%，比起2010财政年的23.3%有显著的增长。

按照惯例，硝酸铵的毛利率同其他三个产品种类相比较低，因此总毛利率有所下滑。另外，三个传统产品种类相关的原材料（尤其是单质炸药原材料）的价格上升，也促使总毛利率在2011财政年微跌至30.1%。

我们将继续调整我们的行销策略，加强我们营业市场中的产品销售比例，提升高毛利率产品的销售，以获得更高的盈利。

主席致词

财政回顾

在2011财政年中，在各领域的主要业务和市场取得全方位增长，因此本集团的营业额增长了29.0%，达到4亿1617万元人民币。虽然海外的业务增长超越了国内的业务增长，但在中国蓬勃的经济增长和发展带动采矿和基本设施建设活动的情况下，中国继续是本集团的主要营运市场。

来自中国市场的营业额在2011财政年占集团总业绩的83.8%。在逐步发展的海外市场中，销售到澳大利亚以大约9.4%占最大比例，达到3928万元人民币。

在大部分的海外市场中，我们多数是以原始设备制造商（OEM）的形式，向国际知名的民爆器材业者如国际最大的民爆器材制造商，Orica Limited，提供OEM的服务。在2011财政年中，我们从其他采矿国家如印尼以及吉尔吉斯斯坦获取了更多的出口销售额。

这代表着集团的高质量产品拥有良好的国际信誉，这也鉴定了我们所建立的荣誉与业绩。

虽然本集团的海外销售拓展策略已逐渐成型，但我们持续地在这个基础与势头上建立更多的商业机会以及提高我们对这些战略性客户群的市场知识和服务。

由于我们的总产品比例以低毛利率的产品（硝酸铵）居多，加上原材料成本的上升，本集团的毛利率在2011财政年同2010财政年的35.3%相比下跌了5.2个百分点，达到30.1%。

在销售营业额上升的带动下，营业费用在2011财政年也增长了大约684万元人民币或38.7%，达到2451万元人民币。管理费用也上升了813万元人民币或26.5%，达到3884万元人民币。此增幅主要因为1)提供直接将产品送往最终市场使用者的服务而提高了运输费；2)出口销售的增加提高了船务税；3)新中继起爆具和活塞式导爆管雷管生产设施的相关行政费增长以及安全费用有所增加。后者是根据中国国家财政部和国家安全生产监督管理总局每年收入预先确定的百分比计算的。

所得税费用方面，我们在中国的附属公司山东银光科技有限公司在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.

自2010年1月起，我们的中国附属公司就得支付25%的全部税率。2011财政年的有效的税率为36.5%。

> “为了取得可持续的长期增长，本集团继续以未来的市场趋势调整集团的产品组合，拓展我们在新兴市场以及现有市场的商业地位。”

显著的，本集团的所得税费用在2011财政年上升了919万元人民币，占了年对年股东应占净利跌幅（1189万元人民币）约77.3%。

比起2010财政年的税息折旧及摊销前利润（EBITDA）7606万元人民币，虽然2011财政年的税息折旧及摊销前利润达到平稳的7416万元人民币，但股东应占利润下滑了25.2%，达3532万元人民币，主要因为更高的所得税费用和较高的原材料价格。

我们在来临财政年的优先考量将是在我们所有的商业活动中提升业绩、进一步加强营业效率以及监控成本架构。

稳健的资产负债表

我们的财务状况是我们商业稳定的重要指标，因此本集团一直都以稳健的财务管理方式作为本集团商业策略的主要部分。

我们的资产负债表截至2011年3月31日在低负债的情况下，净资产达到总价值3亿8683万元人民币。这同2010财政年的3亿5650万元人民币相比上升了8.5%。截至2011年3月31日，总未尝还短期债为3952万元人民币，而长期债务为大约10万元人民币。

物业、厂房以及设备微跌约456万元人民币，主要因为本财政年度的折旧费达1599万元人民币，但由购买其他设备以及机械的费用部分抵消。

土地使用权下跌了约96万元人民币，主要是因为本财政年度的摊销费用而减少。

在2011财政年，因为销售营业额的上升，应收账款及其他应收款项上升约1704万元人民币。应付账款及其他应付款项下跌了约2111万元人民币，主要归类于支付土地使用权以及原材料供应商的费用。

流量资金摘要

现金及现金等价物截至2011年3月31日为1亿105万元人民币，同去年同期的1亿726万元人民币相比差别不大。经营活动产生的净现金为约1735万元人民币，主要来自稳健的经营现金流量，并由应付账款及其他应付款项的支付款项以及应收账款及其他应收款项的增长所抵消。用于投资活动的净现金是约1092万元人民币，主要用在购买其他物业、厂房及设备上。同时，用于融资活动的净现金是约1263万元人民币，主要是因为支付了利息及股息以及偿还了第三方贷款。

主席致词

前景与策略

随着全球人口的迅速增长以致对能源以及原材料的增加依赖，这个趋势带动了采矿、基本设施建设以及能源勘探市场，从而促进我们主要产品的需求。

我们的回流客户目前占平均年度营业额的超过80%，另外在采矿、基本设施建设以及能源勘探工业领域中，本集团拥有超过150名多元化的客户群。

本着为我们客户提供更多增值的产品与服务的宗旨，我们将继续通过我们在中国的生产设施，以成本和质量监控来加强我们的竞争优势。

我们将借助于与供应商密切的合作关系，希望能缓解上升的原材料成本对我们的影响。同时，我们也会通过风险管理策略，寻找新管道，来减少营运成本。

由于民爆企业在中国依然是个受到严重管制的市场，因此海外企业的进入受到了一定的限制。但这些管制无形中为我们建立了稳固的优势，有利于像我们这类本土大型， 有规模的公司。

在2005年时，中国国家工业和信息化部停止发派执照给新的民爆器材制造商，并鼓励企业合并重组，以取得市场效益和安全标准。

同时，落后的民爆器材产品如导火线已渐渐淘汰，为我们所制造的较安全产品创造了更高的需求量。

在集团以外的发展，我们将继续强化我们同战略伙伴戴诺诺贝尔Dyno Nobel（Incitec Pivot Limited的子公司）并建立更多的合作与商机。Dyno Nobel是全球第二大的民爆器材制造商，并拥有本公司29.9%的股份。

展望未来，我们将蓄势待发，扮演更重要的角色，提升我们所能提供给客户的产品和服务价值。

虽然我们意识到客户对我们产品的需求逐渐增加，但全球经济的复苏道路依然被不稳定的因素所笼罩。因此，我们将继续持着谨慎的步伐向2012财政年迈进。

结束语

我们坚信，我们的业绩正往正确的方向迈进，而我们会继续在这个供应受严重管制的工业中开拓更多新的增长商机。

为了取得可持续的长期增长，本集团继续以未来的市场趋势调整集团的产品组合，拓展我们在新兴市场以及现有市场的商业地位。集团也将加强内部的营运效益以及降低运作成本。

每股0.005新元的股息

集团采取的股息政策，每年派出年度股东应占利润的至少10%给予我们的股东。

为了答谢股东们一直以来对我们的支持，我们建议派出每股0.005新元的股息，有待在来临的年度股东大会上投票通过。按这次的股息建议， 这代表了2011财政年的股息支付率为17.2%。

感谢语

我谨代表董事会，向所有股东、客户以及商业伙伴多年以来的支持深表谢意。同时，我也向整体管理层及员工一年来所付出的贡献，表示感激。

另外，我也要借此机会欢迎在2010年10月新加入本集团董事会的独立董事蒋荣光教授。蒋教授在民爆行业拥有超过30年的丰富经验，而我们相信，他的观察能力以及所提出的建议，将有助本集团的长期发展。

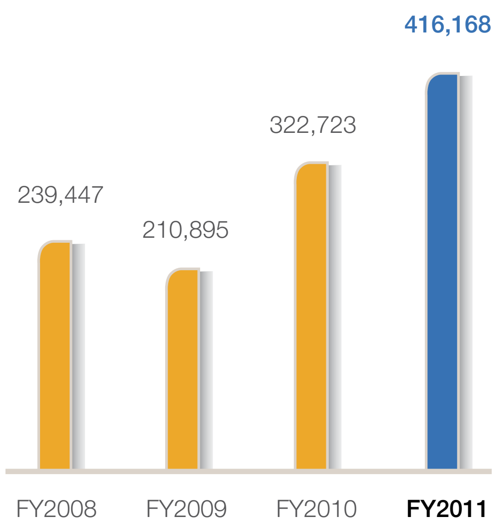
展望未来，我们将继续同心协力，提高本集团的协同效益，在我们的利基市场探索新的增长商机。

FINANCIAL HIGHLIGHTS

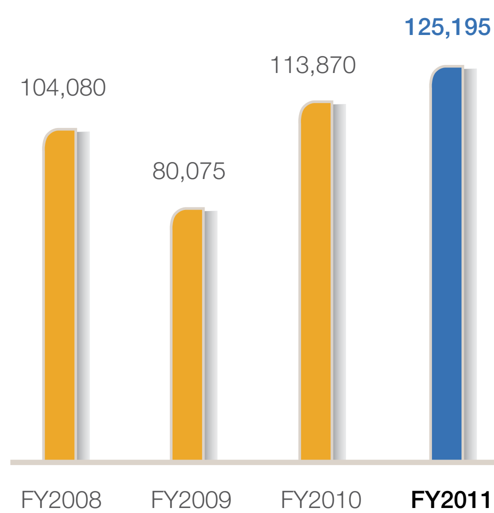
FINANCIAL YEAR-END MARCH	FY2008 Actual RMB'000	FY2009 Actual RMB'000	FY2010 Actual RMB'000	FY2011 Actual RMB'000
REVENUE BY PRODUCT SEGMENTS				
Explosive Devices	108,558	69,274	83,756	95,887
Industrial Fuse and Initiating Explosive Devices	75,970	71,510	97,259	101,648
Industrial Detonators	54,331	49,934	65,437	73,749
Ammonium Nitrate	-	18,895	75,321	144,430
Others	588	1,282	950	454
OPERATING RESULTS				
Revenue	239,447	210,895	322,723	416,168
Gross Profit	104,080	80,075	113,870	125,195
Profit before Income Tax	72,558	42,094	58,370	55,672
Profit Attributable to Shareholders	60,308	34,936	47,213	35,324
EBITDA*	75,102	45,594	76,055	74,164
BALANCE SHEET				
Non-Current Assets	46,624	203,489	251,131	245,228
Current Assets	278,860	306,196	281,795	294,048
Current Liabilities	50,675	200,994	170,341	146,965
Non-Current Liabilities	331	226	6,081	5,477
Shareholders' Equity	274,478	308,465	356,504	386,834
CASH FLOW				
Net Cash From Operating Activities	13,628	46,734	56,618	17,349
Net Cash Used in Investing Activities	(27,393)	(43,092)	(53,142)	(10,920)
Net Cash (Used In)/ From Financing Activities	(6,315)	51	(8,842)	(12,631)

* Earnings before Interest, Tax, Depreciation and Amortisation

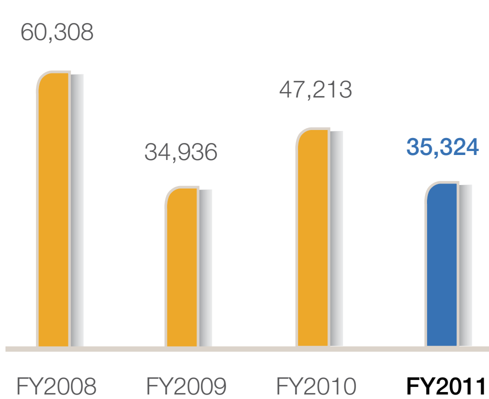
REVENUE (RMB'000)



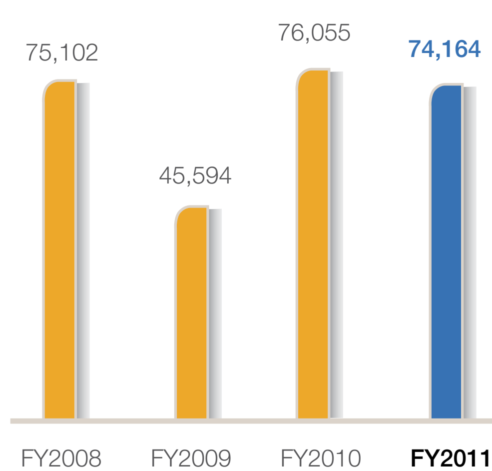
GROSS PROFIT (RMB'000)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RMB'000)



EBITDA (RMB'000)

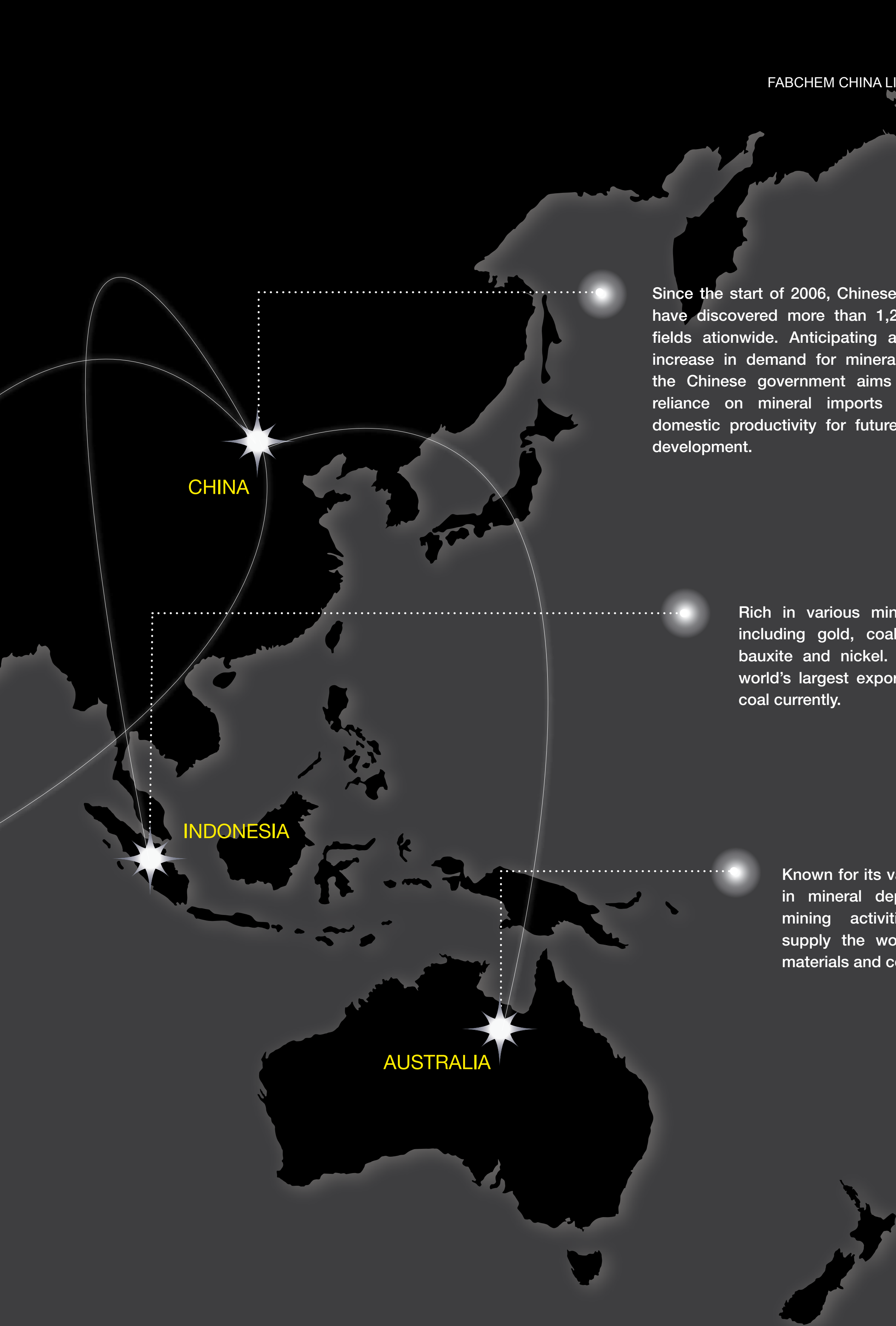


OUR GLOBAL PRESENCE

While gold mining remains Kyrgyzstan's primary mining activity, the country is also rich in mineral resources like coal, iron, mercury, copper and others.

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.

Fabchem China Limited specialises in the production and sales of explosives. Our products are mainly used in mining, infrastructure construction and energy exploration industries. Apart from our primary market in China, our products are also sold in more than 10 countries including Australia, Indonesia, South Africa, India, Mongolia, Kazakhstan and Kyrgyzstan. We have been extending our efforts to build our business presence in new and existing markets and this will propel us to seize more opportunities and uncover more prospects in unexplored markets.



Since the start of 2006, Chinese geologists have discovered more than 1,200 mineral fields ationwide. 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.

BOARD OF DIRECTORS

DR. LIM SECK YEOW
Non-executive Chairman

SUN BOWEN
Managing Director

BAO HONGWEI
Executive Director /
General Manager

PETER NEVILLE HOGAN
Non-executive Director

CHRISTOPHER MICHAEL FURNELL
Non-executive Director

ONG TAI TIONG DESMOND
Independent Director

WEE PHUI GAM
Independent Director

PROFESSOR JIANG RONGGUANG
Independent Director

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 Provincial Party Committee School of Shandong in 2002 and a Master Degree in Administrative Management from Beijing Normal University in 2004.

BOARD OF DIRECTORS

PETER NEVILLE HOGAN

Non-executive Director

Peter Neville Hogan is our non-executive director and was appointed on 2 July 2008. Peter Neville Hogan is currently 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.

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.

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 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, a Fellow Member of the Institute of Certified Public Accountants of Singapore and is an Accredited Tax Advisor (Income Tax & GST). He is a member of the Anderson Junior College School Advisory Committee.

PROFESSOR JIANG RONGGUANG

Independent Director

Professor Jiang Rongguang was appointed an independent director of the Company on 11 October 2010. Professor Jiang is an industry veteran with over 30 years of experience in China's commercial explosives industry. He is currently the chief technical specialist in initiation systems of the Commercial Explosives Technology of Nanjing University of Science and Technology (南京理工大学爆炸材料测试中心) and a member of the technical management team of National Quality Supervision and Testing Center on Commercial Explosives (国家民用爆破器材质量监督检验中心) ("NQSTC"), where he previously had served as permanent deputy chairman. Authorised by the Chinese government quality assurance and certification agencies, NQSTC provides independent assessments and certifications of commercial explosives products manufactured in China.

Professor Jiang is also currently serving as a member in the Commercial Explosives Specialists Committee (工信部民爆行业专家委员会) of the Ministry of Industry and Information Technology of the People's Republic of China (中华人民共和国工业和信息化部) ("MIIT"). Among others, MIIT is tasked with the supervision and governing of commercial explosives' production and manufacturing activities in China.

Professor Jiang graduated from Nanjing University of Science and Technology (南京理工大学) in 1978, majoring in the design and development of explosive devices.

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.

CONTENTS

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

b) In addition, to the above safety measures, we also comply with the safety regulations promulgated by the Ministry of Industry and Information Technology, Department of Work Safety ("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.

SECURITY AND SAFETY COMPLIANCE

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 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 an 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 (安全监督局) 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 January 2011, 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 2011, we had a security team comprising 116 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.

SECURITY AND SAFETY COMPLIANCE

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 2005 ("Code") in its annual report.

The main corporate governance practices that were in place throughout the financial year ended 31 March 2011 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 Committees 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	2	–	–	–	–	–	–
Bao Hongwei	4	4	–	–	–	–	–	–
Peter Neville Hogan	4	4	–	–	–	–	–	–
Christopher Michael Furnell	4	4	–	–	–	–	–	–
Ong Tai Tiong Desmond	4	4	4	4	1	1	1	1
Lim Hui Min John (1)	4	1	4	1	1	1	1	1
Wee Phui Gam (2)	4	4	4	3	–	–	–	–
Jiang Rongguang (3)	4	2	–	–	–	–	–	–

CORPORATE GOVERNANCE REPORT

Notes:

(1) Mr Lim Hui Min John has retired by rotation at the Annual General Meeting held on 22 July 2010.

(2) Mr Wee Phui Gam has been appointed to the Audit Committee, Nominating Committee and Remuneration Committee on 22 July 2010.

(3) Professor Jiang Rongguang has been appointed to the Board on 11 October 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.

CORPORATE GOVERNANCE REPORT

The NC comprises Mr Ong Tai Tiong Desmond, Dr Lim Seck Yeow and Mr Wee Phui Gam. 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 Board Committees 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 and Board Committees 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.

CORPORATE GOVERNANCE REPORT

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 Wee Phui Gam. 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 Wee Phui Gam. 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 shall abstain from voting on any resolution and making any 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.

CORPORATE GOVERNANCE REPORT

Remuneration of Directors

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

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

For competitive reasons, the Company is not disclosing the annual remuneration of each individual Director for the financial year ended 31 March 2011. 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	–	✓	–	59.2	40.8
Bao Hongwei	✓	–	–	61.9	38.1
Peter Neville Hogan	✓	–	100	–	100
Christopher Michael Furnell	✓	–	100	–	100
Ong Tai Tiong Desmond	✓	–	100	–	100
Wee Phui Gam	✓	–	100	–	100
Jiang Rongguang	✓	–	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 2011 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 2011 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	✓	19.9	80.1
Chen Hongyu	✓	–	100
Yang Changde	✓	–	100

Note:

(1) Sun Qiang is the son of the Managing Director whose remuneration did not exceeded S$150,000 during the financial year ended 31 March 2011. Apart from him, no employee of the company and its subsidiary is an immediate family member of a director and whose remuneration exceeded S$150,000 during the financial year ended 31 March 2011.

CORPORATE GOVERNANCE REPORT

3. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

The Board has overall responsibility to provide a balance and understandable assessment of the Company's performance, position and prospects in respect of the Company's reports and financial statements and other price sensitive information to regulators and shareholders. Financial results and annual reports will be announced or issued within legally prescribed periods.

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 Wee Phui Gam, Mr Ong Tai Tiong Desmond and Dr Lim Seck Yeow. The Chairman of the AC is Mr Wee Phui Gam. The AC will provide a channel of communication between the Board, the management, the internal auditor and 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;

CORPORATE GOVERNANCE REPORT

(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 up with the internal and external auditors without any executive of the Company being present at least once on an annual basis and as and when necessary during the year.

The AC has also reviewed the annual financial statements of the Company and the Group for the financial year ended 31 March 2011 as well as the auditors' reports thereon. Interested person transactions of the Group in the said financial year have also been reviewed by the AC.

The AC has reviewed with management all the non-audit services provided by the external auditors to the Company and the Group for the financial ended 31 March 2011. 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.

CORPORATE GOVERNANCE REPORT

Principle 14: Whistle-blowing Policy

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

4. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

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

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

Principle 16: Greater Shareholder Participation

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

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

The chairman 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.

CORPORATE GOVERNANCE REPORT

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 2011.

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 subsidiaries 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 2011, the following Interested Person Transactions were entered into by the Group:

		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)	
Name of interested person	Nature	Actual FY2011 RMB'000	Actual FY2010 RMB'000	Actual FY2011 RMB'000	Actual FY2010 RMB'000
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	8,000	8,000	–	–
Feixian Yinguang Transport Co., Ltd.	Payment of transportation charges	3,249	2,885	–	–
Feixian Yinguang Magnesium Co., Ltd.	Purchase of magnesium materials	–	701	–	–
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	1,290	1,241	–	–
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	1,877	1,682	–	–
Shandong Yinguang Chemical Group Co., Ltd (1)	Sales of ammonium nitrate	–	–	7,254	27,108
Dyno Nobel Australia	Sales of commercial explosives	4,204	–	–	–

Footnote:

(1) The relevant general mandate was updated and approved at the Annual General Meeting held on 22 July 2010.

CORPORATE GOVERNANCE REPORT

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"), who 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 FY2011 RMB'000	Actual FY2010 RMB'000
Sales of commercial explosives to Aoxin	–	–
Sales of commercial explosives to its overseas customers through Aoxin	–	29,695

With effect from December 2010, Yinsheng Investments had divested all its interest in Aoxin and Mr Sun Bowen is no longer a director of Aoxin. Thus, Aoxin will cease to be a related party with immediate effect.

10. USE OF IPO PROCEEDS

For the financial year ended 31 March 2011, the Group has a total of unutilised IPO proceeds approximates of RMB2.0 million.

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.

DIRECTORS' REPORT

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 reporting year ended 31 March 2011.

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	
Ong Tai Tiong Desmond	
Wee Phui Gam	
Jiang Rongguang	(Appointed on 11 October 2010)

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

Neither at the end of the reporting year nor at any time during the reporting 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 reporting year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Cap. 50 except as follows :

Name of directors and company in which interest are held	At beginning of the reporting year	At end of the reporting year
	Direct Interest	
The Company	Ordinary shares with no par value	
Bao Hongwei	4,683,000	4,788,000
	Deemed Interest	
The Company	Ordinary shares with no par value	
Dr Lim Seck Yeow	22,334,000	18,334,000
Sun Bowen	75,700,000	75,700,000
Bao Hongwei	8,604,000	8,604,000

The directors' interests as at 21 April 2011 were the same as those at the end of the reporting year.

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.

DIRECTORS' REPORT

4. Contractual Benefits of Directors

Since the beginning of the reporting 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 reporting year, no option to take up unissued shares of the company or any corporation in the group was granted.

6. Options Exercised

During the reporting 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 reporting 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:

Wee Phui Gam (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).

DIRECTORS' REPORT

8. Audit Committee (Continued)

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 26 May 2011, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of the Directors

Sun Bowen
Director

Bao Hongwei
Director

31 May 2011

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 2011 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting 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 31 May 2011.

On Behalf of the Directors

Sun Bowen
Director

Bao Hongwei
Director

31 May 2011

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated 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 2011, and the consolidated 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 reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for 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 position and to maintain accountability of assets.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

In our opinion, 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 2011 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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

31 May 2011

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

		Group	
	Notes	2011	2010
		RMB'000	RMB'000
Revenue	5	416,168	322,723
Cost of Sales		(290,973)	(208,853)
Gross Profit		125,195	113,870
Other Items of Income			
Interest Income	6	453	228
Other Credits	7	1,261	618
Other Items of Expense			
Distribution Costs		(24,506)	(17,666)
Administrative Expenses		(38,838)	(30,712)
Finance Costs	6	(2,504)	(2,363)
Other Charges	7	(5,389)	(5,605)
Profit Before Tax From Continuing Operations		55,672	58,370
Income Tax Expense	9	(20,348)	(11,157)
Profit from Continuing Operations, Net of Tax		35,324	47,213
Other Comprehensive Income:			
Exchange Differences on Translating Financial Statements of Company		893	826
Total Comprehensive Income		36,217	48,039
		RMB	RMB
Earnings Per Share		Cents	Cents
- Basic	10	15.10	20.18
- Diluted	10	15.10	20.18

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

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2011

	Notes	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	13	181,277	185,840	300	343
Intangible Assets	14	6,541	7,403	–	–
Other Assets, Non-Current	15	53,300	54,261	–	–
Investment in Subsidiaries	16	–	–	117,175	110,185
Deferred Tax Assets	9	4,110	3,627	–	–
Total Non-Current Assets		245,228	251,131	117,475	110,528
Current Assets					
Inventories	17	46,534	47,763	–	–
Trade and Other Receivables, Current	18	116,159	99,124	29,186	26,323
Other Assets, Current	15	30,302	27,653	73	101
Cash and Cash Equivalents	19	101,053	107,255	712	285
Total Current Assets		294,048	281,795	29,971	26,709
Total Assets		539,276	532,926	147,446	137,237
EQUITY AND LIABILITIES					
Equity					
Share Capital	20	116,849	116,849	116,849	116,849
Retained Earnings		231,074	205,844	20,451	18,139
Other Reserves	21	38,911	33,811	5,377	(2,506)
Total Equity		386,834	356,504	142,677	132,482
Non-Current Liabilities					
Deferred Tax Liabilities	9	5,380	5,910	–	–
Other Financial Liabilities, Non-Current	22	97	171	97	171
Total Non-Current Liabilities		5,477	6,081	97	171
Current Liabilities					
Income Tax Payable		3,068	7	–	–
Trade and Other Payables, Current	23	102,143	123,257	4,587	4,509
Other Financial Liabilities, Current	22	39,515	43,681	85	75
Other Liabilities, Current	24	2,239	3,396	–	–
Total Current Liabilities		146,965	170,341	4,672	4,584
Total Liabilities		152,442	176,422	4,769	4,755
Total Equity and Liabilities		539,276	532,926	147,446	137,237

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2011

Group:	Total Equity	Share Capital	Retained Earnings	Statutory Reserves	Foreign Exchange Translation Reserve
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Year:					
Opening Balance at 1 April 2010	356,504	116,849	205,844	33,360	451
Movements in Equity:					
Dividend paid (Note 11)	(5,887)	–	(5,887)	–	–
Total Comprehensive Income for the Year	36,217	–	35,324	–	893
Appropriation for the Year (Note 21)	–	–	(4,207)	4,207	–
Closing Balance at 31 March 2011	386,834	116,849	231,074	37,567	1,344
Previous 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 (Note 21)	–	–	(5,228)	5,228	–
Closing Balance at 31 March 2010	356,504	116,849	205,844	33,360	451

Company:	Total Equity	Share Capital	Retained Earnings	Foreign Exchange Translation Reserve
	RMB'000	RMB'000	RMB'000	RMB'000
Current Year:				
Opening Balance at 1 April 2010	132,482	116,849	18,139	(2,506)
Movements in Equity:				
Dividends paid	(5,887)	–	(5,887)	–
Total Comprehensive Income for the Year	16,082	–	8,199	7,883
Closing Balance at 31 March 2011	142,677	116,849	20,451	5,377
Previous 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)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	2011 RMB'000	2010 RMB'000
Cash flows from Operating Activities		
Profit Before Tax	55,672	58,370
Allowance for Impairment on Trade and Other Receivables – Loss	3,934	4,701
Allowance for Impairment on Trade and Other Receivables – Reversal	(194)	(14)
Amortisation of Other Intangible Assets and Land Use Right	1,823	2,084
Bad Debts Written-off	135	–
Depreciation of Property, Plant and Equipment	15,991	14,224
Goodwill Written-off	–	31
(Gain)/Loss on Disposal of Plant and Equipment	(35)	122
Net Effect of Exchange Rate Changes in Translation of Financial Statements of Parent	873	794
Interest Expense	2,504	2,363
Interest Income	(453)	(228)
Operating Cash Flows before Changes in Working Capital	80,250	82,447
Inventories	1,229	(762)
Trade and Other Receivables	(21,170)	15,523
Other Assets	(2,649)	(153)
Trade and Other Payables	(21,114)	(20,800)
Other Liabilities	(1,157)	1,387
Net Cash Flows from Operations Before Interest and Tax	35,389	77,642
Income Taxes Paid	(18,040)	(21,024)
Net Cash Flows From Operating Activities	17,349	56,618
Cash Flows From Investing Activities		
Payment for Land Use Rights	–	(4,244)
Proceeds from Disposal of Plant and Equipment	689	586
Purchase of Property, Plant and Equipment	(12,062)	(49,712)
Interest Received	453	228
Net Cash Flows Used in Investing Activities	(10,920)	(53,142)
Cash Flows From Financing Activities		
Dividends paid	(5,887)	–
Proceeds from Bank Borrowings	15,000	3,000
Repayment of Borrowings	(19,176)	(9,016)
Repayment of Lease Liabilities	(64)	(46)
Interest Paid	(2,504)	(2,780)
Net Cash Flows Used in Financing Activities	(12,631)	(8,842)
Net Decrease in Cash and Cash Equivalents	(6,202)	(5,366)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	107,255	112,621
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 19)	101,053	107,255

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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 31 May 2011.

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

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

The registered office is: 8 Cross Street, #11-00 PWC Building, Singapore 048424. The company is domiciled in Singapore.

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 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 profit or loss items and dividends are eliminated in full on consolidation. The results of the investees acquired or disposed of during the reporting 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.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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 reporting 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 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 reporting entity 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. Summary of Significant Accounting Policies (Continued)

Foreign Currency Transactions and Translation of Financial Statements of Other Entities

The functional currency is the Singapore dollar ("S$") as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges. The presentation currency is the Chinese Renminbi ("RMB") as the financial statements are meant primarily for users in China. For the RMB financial statements assets and liabilities are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translations of S$ amounts into RMB amounts are included solely for the convenience of readers. The reporting year end rates used are RMB5.1981 to S$1.00 (2010: RMB4.8880 to S$1.00) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were RMB5.0555 to S$1.00 (2010: RMB4.8020 to S$1.00). Such translation should not be construed as a representation that the RMB amounts could be converted into S$ at the above rate or other rate.

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the profit and loss items are translated at average rates of exchange for the reporting 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.

Segment Reporting

The group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Borrowing Costs

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

Business Combinations

Business combinations are accounted for by applying the acquisition method. There were none during the reporting year.

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 acquiree; 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. Summary of Significant Accounting Policies (Continued)

Goodwill (Continued)

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 of the assets 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 least at each end of the reporting year and, 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, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs 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 profit or loss when they are incurred.

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 for use. The useful lives are as follows:

Licenses	–	10%
Customer relationships	–	10%

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

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, an investment in a subsidiary is stated at cost less any allowance for impairment in value adjusted for any changes in contingent consideration. 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 value of a subsidiary is not necessarily indicative of the amounts that would be realised in a current market exchange.

Leases

Whether an arrangement is, or contains, a lease is 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 reporting year 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 reporting years 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. Summary of Significant Accounting Policies (Continued)

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 on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Subsequent measurement:

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

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (Continued)

4. Available-for-sale financial assets: As at end of the reporting year date 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 the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. 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 or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

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

1. Liabilities at fair value through profit or loss: As at end of the reporting year date there were no financial liabilities classified in this category.

2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. Summary of Significant Accounting Policies (Continued)

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 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 the directors.

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 reporting year they occur.

Government Grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions 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 reporting 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.

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade 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 trade receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade receivables. 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 trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. Summary of Significant Accounting Policies (Continued)

Critical Judgements, Assumptions and Estimation Uncertainties (Continued)

Deferred tax asset estimation:

Management judgement 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 RMB 4,110,000 (2010: RMB 3,627,000).

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 items 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 reporting 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 asset (or class of assets) at the end of the reporting year affected by the assumption is RMB179,724,000 (2010: RMB184,663,000).

Land use rights:

The group has land use rights stated at carrying value of RMB53,300,000 (2010: RMB54,261,000). 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 will be 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

3. Related Party Relationships and Transactions

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise.

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

3.2 Other related parties:

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

Significant other related party transactions:

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

	Group Other related parties 2011 RMB'000	 2010 RMB'000
Sales of goods (*)	13,335	58,508
Rental expenses	8,315	8,299
Purchase of goods	1,850	2,350
Freight charges	3,249	2,885
(*) Included in these amounts are export sales to overseas customers through a related party:	–	29,695

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

3. Related Party Relationships and Transactions (Continued)

3.3 Key management compensation:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries and other short-term employee benefits	6,343	5,633

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

	2011	2010
	RMB'000	RMB'000
Remuneration of directors of the company	3,099	2,780
Fees to directors of the company	1,560	1,394

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

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

3.4. Other receivables from and other payables to related parties:

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

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

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Directors:				
Other payables:				
Balance at beginning of year	–	(661)	–	(163)
Amounts paid out and settlement of liabilities on behalf of directors	–	661	–	163
Balance at end of year (Note 23)	–	–	–	–

	Group	
	2011	2010
	RMB'000	RMB'000
Other related parties:		
Other payables:		
Balance at beginning of year	(6,204)	(15,551)
Amounts paid out and settlement of liabilities on behalf of related parties	9,015	12,633
Amounts paid in and settlement of liabilities on behalf of the company	(3,732)	(3,286)
Balance at end of year (Note 23)	(921)	(6,204)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

4. Financial Information by Operating Segments

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

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

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, tube charges and seismic charges that are used to enhance the power of the explosions and for oil and gas explorations.

(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").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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 2011						
Revenue by Segment	95,887	101,648	73,749	144,430	454	416,168
Total revenue	95,887	101,648	73,749	144,430	454	416,168
Recurring EBITDA	18,603	42,677	34,629	19,728	100	115,737
Depreciation	(2,042)	(320)	(7,168)	(5,431)	(1,030)	(15,991)
Amortisation	(382)	–	(233)	(1,208)	–	(1,823)
ORBIT	16,179	42,357	27,228	13,089	(930)	97,923
Interest income					453	453
Finance costs					(2,504)	(2,504)
Unallocated corporate expenses					(40,200)	(40,200)
Profit before tax from continuing operations						55,672
Income tax expense						(20,348)
Profit from continuing operations						35,324
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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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
2011						
Total assets for reportable segments	49,503	3,911	104,146	130,301	–	287,861
Unallocated:						
Property, plant and equipment					24,482	24,482
Deferred tax assets					4,110	4,110
Inventories					21,492	21,492
Trade and other receivables					90,055	90,055
Other assets					27,140	27,140
Cash and cash equivalents					84,136	84,136
Total group assets	49,503	3,911	104,146	130,301	251,415	539,276
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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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
2011						
Total liabilities for reportable segments	1,321	476	1,143	75,859	–	78,799
Unallocated:						
Deferred tax liabilities					5,380	5,380
Income tax payable					3,068	3,068
Trade and other payables					63,485	63,485
Other liabilities					1,528	1,528
Other financial liabilities					182	182
Total group liabilities	1,321	476	1,143	75,859	73,643	152,442
2010						
Total liabilities for reportable segments	586	450	850	77,691	–	79,577
Unallocated:						
Deferred tax liabilities					5,910	5,910
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	77,691	96,845	176,422

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:						
2011	–	–	–	–	3,840	3,840
2010	–	–	–	–	4,854	4,854
Expenditures for non-current assets:						
2011	242	60	2,846	4,385	4,529	12,062
2010	3,590	188	16,245	10,845	23,505	54,373

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within PRC	348,649	274,699	240,818	247,161
Outside PRC:				
Sales through export distributors	14,499	3,290	–	–
Australia	39,279	35,556	–	–
Singapore	–	–	300	343
Others (*)	13,741	9,178	–	–
Subtotal for all foreign countries	67,519	48,024	300	343
Total continuing operations	416,168	322,723	241,118	247,504

(*) 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	
	2011	2010
	RMB'000	RMB'000
Sale of goods	416,168	322,723

6. Interest Income and (Finance Costs)

	Group	
	2011	2010
	RMB'000	RMB'000
Interest income	453	228
Bank interest expense	(2,492)	(2,765)
Finance lease interest expense	(12)	(15)
Less: amounts included in qualifying assets (Note 13)	–	417
Net	(2,051)	(2,135)
Presented in profit or loss as:		
Interest Income	453	228
Finance Costs	(2,504)	(2,363)
Net	(2,051)	(2,135)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

7. Other Credits and (Other Charges)

	Group 2011 RMB'000	Group 2010 RMB'000
Bad debts written-off trade receivables	(135)	–
Foreign exchange adjustment loss	(1,320)	(751)
Goodwill written-off	–	(31)
Gain/(Loss) on disposal of plant and equipment	35	(122)
Government grant	1,032	604
Allowance for impairment on trade and other receivables – loss	(3,934)	(4,701)
Allowance for impairment on trade receivables – reversal	194	14
Net	(4,128)	(4,987)
Presented in profit or loss as:		
Other Credits	1,261	618
Other Charges	(5,389)	(5,605)
Net	(4,128)	(4,987)

8. Employee Benefits Expense

	Group 2011 RMB'000	Group 2010 RMB'000
Employee benefits expense	40,552	32,352
Contributions to defined contribution plans	8,589	6,638
Total employee benefits expense	49,141	38,990

The employee benefit expense is charged as follows:

	Cost of Sales RMB'000	Distribution Costs RMB'000	Administrative Expenses RMB'000	Total RMB'000
Group:				
2011	32,104	2,894	14,143	49,141
2010	25,836	2,240	10,914	38,990

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

9. Income Tax Expense

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

	Group 2011 RMB'000	Group 2010 RMB'000
Current tax expense		
Current tax expense	19,046	11,030
Under adjustments to current tax in respect of prior periods	2,315	4,501
Subtotal	21,361	15,531
Deferred tax income		
Deferred tax income	(1,013)	(4,374)
Subtotal	(1,013)	(4,374)
Total income tax expense	20,348	11,157

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% (2010: 17%) to profit before income tax as a result of the following differences:

	Group 2011 RMB'000	Group 2010 RMB'000
Profit Before Tax	55,672	58,370
Income tax expense at the above rate	9,464	9,923
Not deductible items /(not liable to tax)	3,103	(874)
Under adjustments to tax in respect of prior periods	2,315	4,501
Effect of different tax rate in foreign countries	5,466	5,598
Tax exemptions	–	(7,991)
Total income tax expense	20,348	11,157

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 2011 RMB'000	Group 2010 RMB'000
Reversal of deferred tax liabilities arising from fair value adjustments recognised on acquisition of subsidiary	(389)	(747)
Allowance for impairment of trade and other receivables	(928)	(2,031)
Accrual for safety expenses	(396)	(1,596)
Deferred tax charge relating to unremitted profits of a subsidiary	700	–
Total deferred income tax income recognised in profit or loss	(1,013)	(4,374)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

9. Income Tax Expense (Continued)

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

	Group 2011 RMB'000	Group 2010 RMB'000
Deferred tax (liabilities) recognised in profit or loss:		
Excess of net book value of plant and equipment over tax values	(2,500)	(2,641)
Excess of net book value of land use rights over tax values	(1,386)	(1,418)
Excess of net book value of licences and customer relationship over tax values	(1,635)	(1,851)
Allowance for impairment of trade and other receivables	2,959	2,031
Accrual for safety expenses	1,992	1,596
Deferred tax charge relating to unremitted profits of a subsidiary	(700)	–
Net balance	(1,270)	(2,283)

Presented in the statement of financial position as follows:

	Group 2011 RMB'000	Group 2010 RMB'000
Deferred tax liabilities	(5,380)	(5,910)
Deferred tax assets	4,110	3,627
Net position	(1,270)	(2,283)

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

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 2011 RMB'000	Group 2010 RMB'000
Subsidiary	8,000	3,117

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011

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	
		2011	2010
A.	Numerators: earnings attributable to equity:		
	Continuing operations: attributable to equity holders (RMB'000)	35,324	47,213
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. Dividends on Equity Shares

	Group	
	2011	2010
	RMB'000	RMB'000
Final tax exempt (1-tier) dividend paid of S$0.5 cents (2010:Nil cents) per share	5,887	–

In respect of the current year, the directors propose that a final dividend of S$0.5 cents (2010: S$0.5 cents) per share with a total of RMB6,082,000 (2010: RMB5,887,000) equivalent be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2011 is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

12. 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	
	2011	2010
	RMB'000	RMB'000
Non-audit fees paid to the statutory auditors of the company included under administrative expenses	11	10

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011

13. 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 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 25)	(177)	(16,250)	(668)	(17,095)
Foreign exchange adjustments	–	31	–	31
At 31 March 2010	53,038	155,237	1,177	209,452
Additions	–	11,686	376	12,062
Disposals	–	(1,584)	–	(1,584)
Foreign exchange adjustments	–	68	–	68
At 31 March 2011	53,038	165,407	1,553	219,998
Accumulated depreciation and impairment:				
At 1 April 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 25)				
– 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
Depreciation for the year	2,549	13,442	–	15,991
Disposals	–	(930)	–	(930)
Foreign exchange adjustments	–	48	–	48
At 31 March 2011	5,020	33,701	–	38,721
Net book value:				
At 1 April 2009	49,798	69,434	19,230	138,462
At 31 March 2010	50,567	134,096	1,177	185,840
At 31 March 2011	48,018	131,706	1,553	181,277

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

13. Property, Plant and Equipment (Continued)

Company	Plant and equipment
	RMB'000
Cost:	
At 1 April 2009	1,047
Foreign exchange adjustments	31
At 31 March 2010	1,078
Foreign exchange adjustments	68
At 31 March 2011	1,146
Accumulated depreciation:	
At 1 April 2009	671
Depreciation for the year	65
Foreign exchange adjustments	(1)
At 31 March 2010	735
Depreciation for the year	63
Foreign exchange adjustments	48
At 31 March 2011	846
Net book value:	
At 1 April 2009	376
At 31 March 2010	343
At 31 March 2011	300

i) Certain equipment of the group and the company are held under finance lease (Note 22A).

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	Charge against Provision for safety expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
2011	13,098	1,520	1,373	15,991
2010	12,279	1,187	758	14,224

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

13. Property, Plant and Equipment (Continued)

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 NIL (2010: 6.1065% to 12.65%) on the expenditure on such assets. The amounts are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Borrowing costs capitalised included in additions during the year	–	417
Accumulated interest capitalised included in the cost of construction-in-progress total	1,182	1,182

(a) The cost of construction-in-progress relating to this interest capitalised was reclassified to plant and equipment during the year ended 31 March 2010.

14. Intangible Assets

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Goodwill (Note 14A)	–	–	–	–
Other intangible assets (Note 14B)	6,541	7,403	–	–
Total	6,541	7,403	–	–

14A. Goodwill

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
Balance at beginning of the year	–	20,001	–	–
Adjustment to initial accounting for a business combination (Note 25)	–	(19,970)	–	–
Goodwill written-off during the year	–	(31)	–	–
Balance at end of the year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

14B. Other Intangible Assets

Group	Licenses	Customer relationships	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 April 2009	–	–	–
Adjustment to initial accounting for a business combination (Note 25)	4,833	3,792	8,625
At 31 March 2010 and 31 March 2011	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	1222
Amortisation for the year	483	379	862
At 31 March 2011	1,168	916	2,084
Net Book Value:			
At 1 April 2009	–	–	–
At 31 March 2010	4,148	3,255	7,403
At 31 March 2011	3,665	2,876	6,541

15. Other Assets

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current:				
Land use rights (Note 15A)	53,300	54,261	–	–
Subtotal	53,300	54,261	–	–
Current:				
Prepayments	73	743	73	101
Advances to suppliers	29,021	26,399	–	–
Advances to staff	1,208	511	–	–
Subtotal	30,302	27,653	73	101
	83,602	81,914	73	101

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

15A Land Use Rights

Group	2011 RMB'000
Cost:	
At 1 April 2009	45,520
Addition for the year	4,244
Adjustment to initial accounting for a business combination (Note 25)	5,853
At 31 March 2010 and 31 March 2011	55,617
Accumulated amortisation:	
At 1 April 2009	494
Amortisation for the year	862
At 31 March 2010	1,356
Amortisation for the year	961
At 31 March 2011	2,317
Net book value:	
At 1 April 2009	45,026
At 31 March 2010	54,261
At 31 March 2011	53,300

(i) Included in the land use rights are four plots of land at Fei County, Linyi City on which certain of the group's production facilities are located. As at 31 March 2011, the group had not obtained the legal title to the few plots of land, except for two plots of land. The group has estimated the cost of the remaining land use rights to be approximately RMB 5.5 million, of which only RMB 1.0 million was already paid.

(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 2011, 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	10 January 2007	April 2055
Shanting District, North town, Tieshan Village, East of Huangshan, Zaozhuang City	90,464	24 December 2008	17 October 2058
Taoyuan Village, Feicheng Town, Fei County, Linyi City	49,511	29 January 2010	16 December 2059
Tulonggou Village Feicheng Town, Fei County, Linyi City	40,822	23 April 2010	16 December 2059

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

16. Investment in Subsidiaries

	Company 2011 RMB'000	Company 2010 RMB'000
Unquoted equity shares at cost	113,143	113,143
Foreign currency translation difference	4,032	(2,958)
	117,175	110,185
Net book value of subsidiaries	367,288	338,816
Analysis of above amount denominated in non-functional currency:		
China RMB	367,288	338,816

The subsidiaries held by the Company are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Cost of the Investment 2011 RMB'000	Cost of the Investment 2010 RMB'000	Percentage of equity held by Group 2011 %	Percentage of equity held by Group 2010 %
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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

17. Inventories

	Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	28,952	26,318
Work-in-progress	502	593
Finished goods	17,080	20,852
Balance at end of the year	46,534	47,763
Changes in inventories of finished goods and work in progress	3,863	(7,278)
Raw materials and consumables used	207,509	147,622

There are no inventories pledged as security for liabilities.

18. Trade and Other Receivables, Current

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	122,677	91,917	–	–
Less allowance for impairment	(12,020)	(8,318)	–	–
Related party (Note 3)	4,279	14,441	–	–
Sub-total	114,936	98,040	–	–
Other receivables:				
Outside parties	1,391	1,026	–	–
Less allowance for impairment	(168)	(202)	–	–
Tax recoverable	–	260	–	–
Subsidiary (Note 3)	–	–	29,186	26,323
Sub-total	1,223	1,084	29,186	26,323
Total trade and other receivables	116,159	99,124	29,186	26,323

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

18. Trade and Other Receivables, Current (Continued)

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Movement in the above allowance – trade receivables				
Balance at beginning of the year	(8,318)	(3,692)	–	–
Credit to profit or loss included in other credits	194	–	–	–
Charge to profit or loss included in other charges	(3,896)	(4,626)	–	–
Balance at end of the year	(12,020)	(8,318)	–	–
Movement in the above allowance – other receivables				
Balance at beginning of the year	(202)	(146)	–	–
Charge to profit or loss included in other charges	(38)	(75)	–	–
Reversed to profit or loss included in other credits	–	14	–	–
Allowance written-off	72	5	–	–
Balance at end of the year	(168)	(202)	–	–

19. Cash and Cash Equivalents

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Not restricted in use	101,053	107,255	712	285
Interest earning balances	100,341	106,970	–	–

The rate of interest for the cash on interest earning account is 1.0% (2010: 1.0%) per annum.

20. Share Capital

	Group and Company		
	Number of shares issued	Share capital	Issued share capital
		S$	RMB Equivalent
Ordinary shares of no par value:			
Balance at beginning of the year 1 April 2009 and at end of the year 31 March 2010 and 31 March 2011	234,000,000	23,458,985	116,848,607

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011

20. 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 Exchange Securities Trading Limited 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 reporting 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 reporting 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 ratio therefore does not provide a meaningful indicator of the risk of borrowings.

21. Other Reserves

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency translation reserve	1,344	451	5,377	(2,506)
Statutory reserve	37,567	33,360	–	–
	38,911	33,811	5,377	(2,506)

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

22. Other Financial Liabilities

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Finance leases (Note 22A)	97	171	97	171
Current:				
Finance leases (Note 22A)	85	75	85	75
Bank loans I (Note 22B)	10,000	3,000	–	–
Bank loans II (Note 22C)	15,000	18,000	–	–
Third party loan (Note 22D)	14,430	22,606	–	–
Current, total	39,515	43,681	85	75
Total	39,612	43,852	182	246

22A Finance leases

Group and Company 2011	Minimum payments	Finance charges	Present value
	RMB'000	RMB'000	RMB'000
Minimum lease payments payable:			
Due within 1 year	93	8	85
Due within 2 to 5 years	100	3	97
Total	193	11	182
Net book value of plant and equipment under finance leases			297

2010	Minimum payments	Finance charges	Present value
	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

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 2011, the average effective borrowing rate is 6.61% (2010: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

22. Other Financial Liabilities (Continued)

22B Bank Loans I

The short-term bank loans are secured on the land and buildings of a subsidiary with net book value of approximately RMB 10.7 million (2010: RMB 11.2 million) and a corporate guarantee from a related party. They bear fixed interest and have maturity dates as follows:

2011: Loan Principal (RMB'000)	Interest rate (%)	Maturity dates	2010: Loan Principal (RMB'000)	Interest rate (%)	Maturity dates
7,000	6.9030	13 April 2011	3,000	6.1065	22 July 2010
2,000	6.9030	21 June 2011			
1,000	6.9030	29 April 2011			

22C Bank Loans II

The short-term bank loans of RMB 15 million (2010: RMB 18 million) are secured by a corporate guarantee from a related party. They bear fixed interest rates at 6.1065% (2010: between 6.93% and 12.65%) per annum and mature on 8 October 2011 (2010: 14 October 2010).

22D Third Party Loan

This loan represents amount due to the previous owner of Hebei Yinguang Chemical Co., Ltd prior to the acquisition by Shandong Yinguang Chemical Group Co., Ltd., a related party. It includes an amount of RMB 3.1 million (2010: RMB 2.5 million) which bears fixed interest at 12% per annum. The remaining balance is interest-free. These loans have no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

23. Trade and Other Payables, Current

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Outside parties and accrued liabilities	42,608	45,810	4,469	4,412
Provision for safety expenses	9,254	9,443	–	–
Bills payable	15,000	10,000	–	–
Related parties (Note 3)	2,052	1,450	–	–
VAT payables	3,865	4,841	–	–
Subtotal	72,779	71,544	4,469	4,412
Other payables:				
Related parties (Note 3)	921	6,204	–	–
Payable for land use rights (Note 15A)	21,547	28,233	–	–
Outside parties	6,896	17,276	118	97
Subtotal	29,364	51,713	118	97
Total trade and other payables	102,143	123,257	4,587	4,509

Movement in the provision for safety expenses

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for safety expenses				
Balance at beginning of the year	9,443	8,291	–	–
Provision for the year	5,924	5,049	–	–
Utilisation during the year	(6,113)	(3,897)	–	–
Balance at end of the year	9,254	9,443	–	–

24. Other Liabilities, Current

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	2,239	3,396	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

25. 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.

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	13	25,406	12,149	37,555
Customer relationships	14B	–	3,792	3,792
Licenses	14B	–	4,833	4,833
Land use rights	15A	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	14A	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)		

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

25. Acquisition of Subsidiary (Continued)

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.

26. Financial Instruments: Information on Financial Risks

26A. Carrying Amount of Financial Assets and Liabilities

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

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Cash and cash equivalents	101,053	107,255	712	285
Loans and receivables	116,159	98,864	29,186	26,323
At end of the year	217,212	206,119	29,898	26,608
Financial liabilities:				
Borrowings at amortised cost	39,612	43,852	182	246
Trade and other payables at amortised cost	102,143	123,257	4,587	4,509
At end of the year	141,755	167,109	4,769	4,755

Further quantitative disclosures are included throughout these financial statements.

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

26B. 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. All financial risk management activities are carried out and monitored by senior management staff.

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

26C. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

26. Financial Instruments: Information on Financial Risks (Continued)

26D. 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.

Cash and cash equivalents balances disclosed in Note 19 represent amounts with a less than 90-day maturity.

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 (2010: 90 days) and to overseas customers is about 150 days (2010: 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	
	2011	2010
	RMB'000	RMB'000
Trade receivables:		
91 - 180 days	28,727	17,559
181 days to 1 year	5,540	18,836
Over 1 year	7,998	1,532
Total	42,265	37,927

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

	Group	
	2011	2010
	RMB'000	RMB'000
Trade receivables:		
Current	742	–
91 days to 180 days	85	–
181 days to 1 year	704	710
Over 1 year	10,489	7,608
Total	12,020	8,318

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

26. Financial Instruments: Information on Financial Risks (Continued)

26D. Credit Risk on Financial Assets (Continued)

The allowance which is disclosed in the Note 18 on trade receivables is based on individual accounts totalling RMB12,020,000 (2010: RMB8,318,000) 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:

	2011	2010
	RMB'000	RMB'000
Group:		
Top 1 customer	15,564	10,576
Top 2 customers	22,425	17,538
Top 3 customers	28,781	24,199

26E. Liquidity Risk

The following table analyses the non-derivative 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:			
2011:			
Gross borrowings commitments	40,336	–	40,336
Gross finance lease obligations	93	100	193
Trade and other payables	102,143	–	102,143
At end of the year	142,572	100	142,672

Group	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
2010			
Gross borrowings commitments	44,670	–	44,670
Gross finance lease obligations	86	181	267
Trade and other payables	123,257	–	123,257
At end of the year	168,013	181	168,194

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

26. Financial Instruments: Information on Financial Risks (Continued)

26E. Liquidity Risk (Continued)

Company	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non–derivate financial liabilities:			
2011:			
Gross finance lease obligations	93	100	193
Trade and other payables	4,587	–	4,587
At end of the year	4,680	100	4,780

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

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The undiscounted amounts on the bank borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

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. The average credit period taken to settle trade payables is about 180 days (2010: 180 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

26. Financial Instruments: Information on Financial Risks (Continued)

26F. 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	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Floating rates	100,341	106,970	–	–
At end of the year	100,341	106,970	–	–
Financial liabilities:				
Fixed rates	28,233	23,776	182	246
At end of the year	28,233	23,776	182	246

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 effect on profit before tax is not significant.

26G. 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:			
2011:			
Singapore Dollars	712	–	712
2010:			
Singapore Dollars	285	–	285

	Borrowings	Trade and other payables	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities:			
2011:			
Singapore Dollars	182	4,587	4,769
2010:			
Singapore Dollars	246	4,509	4,755

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011

26. Financial Instruments: Information on Financial Risks (Continued)

26G. Foreign Currency Risks (Continued)

Company	Cash and cash equivalents	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Financial assets:			
2011:			
Singapore Dollars	712	29,186	29,898
2010:			
Singapore Dollars	285	26,323	26,608

	Borrowings	Trade and other payables	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities:			
2011:			
Singapore Dollars	182	4,587	4,769
2010:			
Singapore Dollars	246	4,509	4,755

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

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

27. 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	
	2011	2010
	RMB'000	RMB'000
Not later than one year	324	4,690
Later than one year and not later than five years	27	–
Rental expense for the year	8,315	8,299

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011

28. Subsequent event

On 26 April 2011, the Company's wholly-owned subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology") entered into a property transfer agreement (the "Agreement") with a related party, Shandong Yinguang Chemical Industry Co., Ltd. (the "Vendor") at an agreed consideration of RMB 108.7 million. RMB 38.7 million will be satisfied by internally-generated funds and RMB 70.0 million will be satisfied by bank loans securing against the Property.

Yinguang Technology presently leases from the Vendor the property located at Fei County, Linyi City, Shandong Province, PRC. The lease has been in subsistence since 16 November 2004 and the current annual rental amounts to RMB 8 million.

29. Changes and Adoption of Financial Reporting Standards

For the reporting year ended 31 March 2011 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 (Amendments)
FRS 7	Statement of Cash Flows (Amendments)
FRS 17	Leases (Amendments)
FRS 27	Consolidated and Separate Financial Statements (Revised)
FRS 28	Investments in Associates (Revised) (*)
FRS 32	Classification Of Rights Issues (Amendments) (*)
FRS 36	Impairment of Assets (Amendments)
FRS 38	Intangible Assets (Amendments)
FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Item (Amendments)
FRS 39	Financial Instruments: Recognition and Measurement (Amendments)
FRS 102	Share-based Payment (Amendments) (*)
FRS 103	Business Combinations (Revised)
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments)
FRS 108	Operating Segments (Amendments)
INT FRS 109	Reassessment of Embedded Derivatives (Amendments) (*)
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (Amendments) (*)
INT FRS 117	Distributions of Non-cash Assets to Owners (*)
INT FRS 118	Transfers of Assets from Customers (*)

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

30. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates 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 1	Presentation of Financial Statements Disclosures (Amendments)	1 Jan 2011
FRS 103	Business Combinations (Amendments)	1 Jul 2010
FRS 107	Financial Instruments: Disclosures (Amendments)	1 Jan 2011
FRS 107	Financial Instruments: Disclosures (Amendments) - Transfers of Financial Assets (*)	1 Jul 2011
FRS 12	Deferred Tax (Amendments) – Recovery of Underlying Assets	1 Jan 2012
FRS 24	Related Party Disclosures (revised)	1 Jan 2011
FRS 27	Consolidated and Separate Financial Statements (Amendments)	1 Jul 2011
FRS 34	Interim Financial Reporting (Amendments)	1 Jan 2011
INT FRS 113	Customer Loyalty Programmes (Amendments) (*)	1 Jan 2011
INT FRS 114	Prepayments of a Minimum Funding Requirement (revised) (*)	1 Jan 2011
INT FRS 115	Agreements for the Construction of Real Estate(*)	1 Jan 2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments(*)	1 Jul 2010

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

As at 20 June 2011

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	537	50.81	3,541,000	1.51
10,001	-	1,000,000	504	47.68	29,706,000	12.70
1,000,001 and above			16	1.51	200,753,000	85.79
Total :			**1,057**	**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	3,490,000	1.49
9	Phillip Securities Pte Ltd	1,916,000	0.82
10	Bank of China Nominees Pte Ltd	1,658,000	0.71
11	Chua Sek How	1,407,000	0.60
12	HL Bank Nominees (S) Pte Ltd	1,200,000	0.51
13	Ngian Pin Christina	1,126,000	0.48
14	OCBC Securities Private Ltd	1,107,000	0.47
15	John Tullis Blair	1,063,000	0.45
16	Simsons Pte Ltd	1,062,000	0.45
17	CIMB Securities (Singapore) Pte Ltd	918,000	0.39
18	Leow Kim How	861,000	0.37
19	UOB Kay Hian Pte Ltd	733,000	0.31
20	Hong Pian Tee	722,000	0.31
	Total :	**203,987,000**	**87.17**

STATISTICS OF SHAREHOLDINGS

As at 20 June 2011

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 20 June 2011.

	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 20 June 2011, 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, 28 July 2011 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 2011 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 2011. **Resolution 2**

3. To approve the payment of Directors' Fees of S$309,400 for the financial year ended 31 March 2011 (2010: S$291,200). **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 re-elect Mr Desmond Ong Tai Tiong who is retiring under Article 107 of the Company's Articles of Association. **Resolution 5**

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

6. To re-elect Mr Sun Bowen who is retiring under Article 107 of the Company's Articles of Association. **Resolution 6**

7. To re-elect Mr Jiang Rongguang who is retiring under Article 117 of the Company's Articles of Association. **Resolution 7**

8. 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**

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

AS SPECIAL BUSINESS

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

10. AUTHORITY TO ALLOT AND ISSUE SHARES **Resolution 9**

    "THAT pursuant to Section 161 of the Companies Act, Cap. 50 (the "Act") and Rule 806 of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit,

NOTICE OF ANNUAL GENERAL MEETING

PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than twenty percent (20%) of the total number of issued shares excluding treasury shares, and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. For the purpose of Rule 806(2), the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time of passing of this resolution approving the mandate after adjusting for: -

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

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

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

[See Explanatory Note (i)]

11. PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS **Resolution 10**

"THAT:-

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the 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

12 July 2011

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note: -

(i) Resolution No. 9 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty percent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

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 28th day of July, 2011 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 2011.		
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 2011.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 March 2011.		
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 Desmond Ong Tai Tiong as a Director under Article 107.		
6.	To re-elect Mr Sun Bowen as a Director under Article 107.		
7.	To re-elect Mr Jiang Rongguang 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 Authority to allot and issue shares.		
10.	Proposed renewal of the shareholders' mandate for Interested Person Transactions.		

Dated this ____________ day of ________________ 2011.

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.



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

Wee Phui Gam
Independent Director

Professor Jiang Rongguang
Independent Director

NOMINATING COMMITTEE

Ong Tai Tiong Desmond *Chairman*
Dr Lim Seck Yeow
Wee Phui Gam

REMUNERATION COMMITTEE

Ong Tai Tiong Desmond *Chairman*
Dr Lim Seck Yeow
Wee Phui Gam

AUDIT COMMITTEE

Wee Phui Gam *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

FABCHEM CHINA LIMITED

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