FABCHEM CHINA LIMITED

BLAZING THE WAY AHEAD

ANNUAL REPORT 2012

CONTENTS

Fabchem has achieved a record financial perfotmance this year with the boost in market demand for our commercial explosives. Sales for our products, especially our explosive-grade ammonium nitrate and boosters, rose significantly during the year for our China market as well as overseas markets like Australia.

Looking forward, we will continue to blaze our way ahead, capitalising on the sustained business activities in the mining, energy exploration, hydroelectric and infrastructure construction sectors. Fabchem is confident that this would be a guiding light and will lead us to strengthen our global position as one of the leading manufacturers of commercial explosives with organic growth across our business segments.

About Us

Established in Shandong, China since 1979, and listed on the Mainboard of Singapore Exchange Securities Trading Limited in April 2006, Fabchem China Limited ("Fabchem") is one of the leading manufacturers of initiation systems and the largest boosters and detonating cords producer within a highly regulated industry in the People's Republic of China ("China"). Fabchem's products are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors. Our products include explosive devices (boosters 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 commercial explosives producer, the Group also undertakes original equipment manufacturing for renowned global commercial explosives companies.

KEY PRODUCTS

EXPLOSIVE DEVICES

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

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.

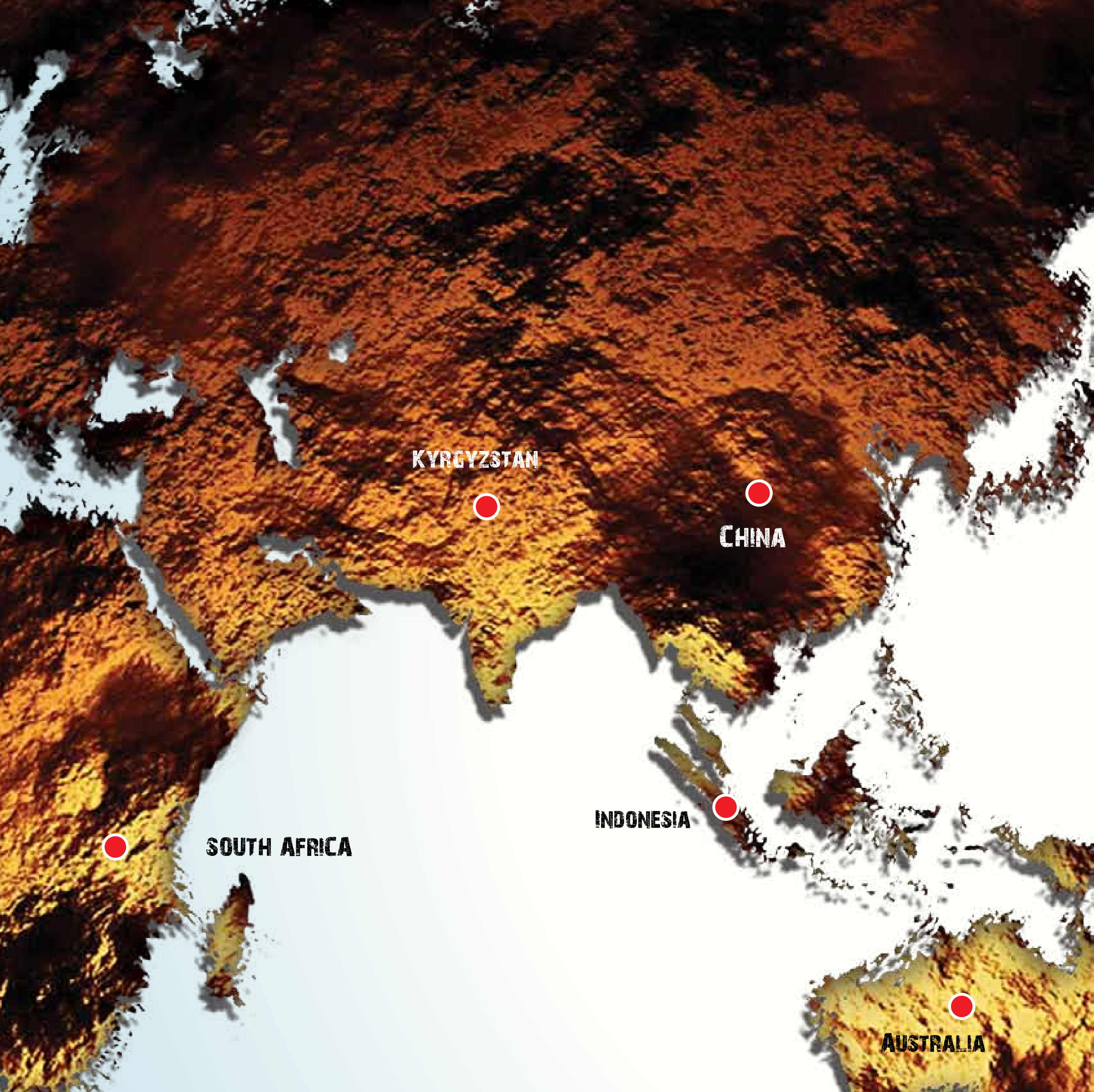
2012 Highlights

- Acquisition of the land and buildings of our manufacturing facilities at Fei County, Linyi City, Shandong Province in China where the Group's main manufacturing facilities and warehouses are located for a total consideration of RMB 108.7 million.

- Adoption of the Interested Party Transaction ("IPT") Mandate with strategic shareholder, Dyno Nobel Group (a business of Incitec Pivot Limited), the world's second largest commercial explosives manufacturer. This has resulted in increased sales to Dyno Nobel Group of approximately RMB 19.9 million from FY2011's RMB 4.2 million to FY2012's RMB 24.1 million.

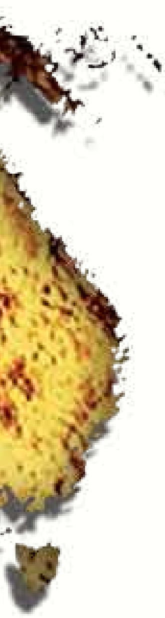
- To build additional detonating cords production facilities to increase detonating cords annual production capacity by 30 million meters to 80 million meters.

- To upgrade existing boosters production facilities to enhance the automation process, translating to an improvement in product quality, reduction in number of employees working on-site and further augment the safety standards of the facilities.



Global Market Presence

Through our three-pronged approach of strengthening our strategic ties and working relationship with our strategic partner, Dyno Nobel; generating organic growth by capitalising on new growth strategies and tapping into new territories; as well as building on our business synergies, we are enhancing the value of our products to our customers and fortifying our growing position in this specialised market as a reputable, reliable and cost-effective business partner.



Australia
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.

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

Indonesia
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.

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

South Africa
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 growth of the country.

LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to take this opportunity to share the milestones of Fabchem China Limited ("Fabchem") for the financial year 2012 ("FY2012"). Over the past 12 months, Fabchem's strategic objectives have garnered encouraging progress and we will share these developments in greater details over the next few pages. For now, let us take a quick review of the key operating markets for our commercial explosives.

Asia, particularly in China, has experienced growing energy demand with increased population and continual economic growth. This has translated to sustained mining, infrastructure and energy exploration activities in these sectors in Asia Pacific region.

And with approximately 60% of the Group's commercial explosives sold to mining companies worldwide, the Group delivered a record full year financial performance in FY2012 with strong growth in both our domestic and overseas markets.

While encouraged by our growth momentum within Asia, the Group remains vigilant of our macro operating environment as global financial markets may face another challenging year with the sovereign debt crisis in Europe.

Overall, the underlying strength of our business model and healthy balance sheet will be instrumental in shaping the long-term growth of our business in this highly-regulated industry.

REVENUE

24.0% ↑

TO RMB 516.1 MILLION

NET PROFIT

69.9% ↑

TO RMB 60.0 MILLION

DIVIDEND OF S$0.01 PER ORDINARY SHARE

In recognition of our shareholder support and guided by our dividend policy to pay out dividends of at least 10% of its annual net profits to shareholders, the board of directors has recommended a dividend payout of S$0.01 per share for FY2012, which represents a dividend payout ratio of approximately 19.6%.

To be approved by shareholders in the forthcoming Annual General Meeting, the proposed dividend represents a 100% increment from last year's dividend payout of S$0.005 per share.

FOUNDATIONS FOR FUTURE GROWTH

In FY2012, the Group undertook new strategic steps to establish a stronger foundation for future growth, of which the following four corporate developments deserve special mention.

Acquisition of the Land and Buildings of our Manufacturing Facilities at Fei County, Linyi City, Shandong Province

As part of our vertical integration strategy, the Group acquired the land and buildings, with a total land area of 439,036 square metres and buildings with a total build-in area of approximately 21,041 square metres, of our manufacturing facilities at Fei County, Linyi City, Shandong Province, after obtaining shareholders' approval in July 2011.

While eliminating the risk of unexpected rental increment and risk of relocation, this acquisition will secure adequate land space for the Group's existing specialised manufacturing operations and future expansion plans.

For any decision-making on capital expenditure matters, one of the guiding principles of the board is that it must be value accretive to the long-term asset value of the Group.

Adoption of the Interested Party Transaction ("IPT") Mandate with Strategic Shareholder, Dyno Nobel Group

Separately, on November 2011, shareholders approved the adoption of the proposed IPT Mandate in respect of future product sales which the Group may enter into with the Dyno Nobel Group. Since then, the Group has secured more sales contracts from Dyno Nobel Group.The shareholders' mandate will be subjected to renewal at the forthcoming Annual General Meeting.

Additional Detonating Cords Production Facilities

Following our earlier announcements on the additional detonating cords production facilities to be set up, the related construction work is on track as originally planned. We target to commence commercial operation of the new production facilities by April 2013. As a result, the new production facilities

Left:
Mr. Sun Bowen

Right:
Dr. Lim Seck Yeow

LETTER TO SHAREHOLDERS

will increase our detonating cords annual production capacity from 50 million meters to 80 million meters. The related investment is approximately RMB 30.0 million and it will be funded using our internally generated funds. Currently, our existing detonating cords facilities are operating at near-full production.

Upgrading of Existing Boosters Production Facilities

The Group is also currently undertaking the upgrades of our existing boosters production facilities, which will significantly enhance the automation process, translating to an improvement in product quality, reduction in number of employees working on-site and further augment the safety standards of the facilities. The upgrading works will be undertaken progressively and we expect to complete all upgrading works by March 2014. Total capital expenditure for the upgrading works is estimated at approximately RMB 39.5 million and it will be funded using our internally generated funds.

On the operational front, the priorities that Group have outlined over the past year – capitalise on growth opportunities, improved productivity and cost containment – have guided us well and we will reframe these business strategies according to changing operating conditions.

OUR RECORD FINANCIAL YEAR

Continual Broad-based Revenue Growth

As highlighted earlier, sustained mining activities for energy and metal resources in Asia continue to be the key growth driver for the Group's revenue.

Looking back on FY2012, revenue of the Group's product groups of (a) explosive devices (b) industrial detonators and (c) ammonium nitrate grew 37.3%, 18.5% and 39.4% to RMB 131.6 million, RMB 87.4 million and RMB 201.2 million respectively.

Our marketing outreach initiatives continue to yield encouraging results as revenue from overseas markets rose 45.9% to RMB 98.5 million. Most of our overseas sales are on an original equipment manufacturer ("OEM") basis, where we provide OEM products to global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group.

While overseas market growth of 45.9% outpaced domestic market growth of 19.8%, China continued to be Fabchem's main market, accounting for 80.9% of the Group's FY2012 revenue.

Overall, revenue grew 24.0% to a record RMB 516.1 million in FY2012.

Improved Operational Efficiency

Although rising raw materials costs are an innate part of business activities, Fabchem has implemented various cost containment and productivity improvement measures to mitigate these factors. As a result, overall gross profit margin improved marginally to 31.0% in FY2012 despite higher raw material prices and a higher proportion of lower-margin product (ammonium nitrate) in its product sales-mix.

This was mainly attributed to higher average selling prices of ammonium nitrate, improved operational efficiency and cessation of rental expenses (from 01 July 2011). Overall, gross profit grew 27.7% to RMB 159.9 million for FY2012.

Operating Costs Review

In line with the increase in sales revenue, distribution costs increased by approximately RMB 7.2 million or 29.5% to RMB 31.7 million in FY2012 from FY2011's RMB 24.5 million.

Administrative expenses also increased by approximately RMB 7.1 million or 18.3% to RMB 45.9 million in FY2012 from FY2011's RMB 38.8 million. The increase in administrative expenses was mainly due to the increase in provision for safety expenses and executive directors' profit sharing, which corresponds with the increase in sales revenue and profit before income tax, respectively. The provision for safety expenses is computed based on pre-defined percentages of our annual revenue as set by the State Administration of Work Safety of the People's Republic of China. Amortisation expenses also increased due to the acquired land use rights during the current financial year.

The Group's effective tax rate for FY2012 was 27.2% as compared to 36.5% in FY2011. This is slightly higher than the PRC concessionary tax rate of 25.0% mainly due to the non-deductible expenses and partially offset by an overprovision of income tax for the previous financial year.

Higher EBITDA and Increased Net Profit

On the back of the record revenue in FY2012, profit attributable to shareholders surged 69.9% to RMB 60.0 million in FY2012. As a measure of gross earnings from operations, EBITDA rose 39.8% to RMB 103.6 million.

Moving ahead, the Group will be focused on revenue growth, margin improvement and improved cost management across our business activities.

Growing Strength of our Balance Sheet

Besides being a measure of our business stability, the growing strength of our balance sheet will continue to provide us with the financial capability to fund our strategic plans. Guided by a conservative financial management policy, Fabchem has remained well capitalised with low financial gearing.

On the back of the Group's record financial performance in FY2012, total assets increased to RMB 676.1 million as at 31 March 2012, of which cash and cash equivalent stood at RMB 103.1 million.

Shareholders' equity stood at RMB 440.4 million, up 13.8% or RMB 53.6 million higher than 31 March 2011. Net asset value per share stood at RMB 188.21 cents, up 13.9% or RMB 22.9 cents from 31 March 2011.

The Group also recorded RMB 235.7 million in total liabilities, of which the major portion was attributable to trade and other payables of RMB 183.1 million at the end of March 2012. Trade and other payables increased by RMB 80.9 million mainly due to the increase in other payables for the acquisition of the land and buildings subsequent to the approval obtained from shareholders in July 2011.

Cash Flow Highlights

For the full year ended 31 March 2012, the Group recorded net cash generated from operating activities of approximately RMB 32.2 million, mainly due to the increase in sales and an improved management in trade and other receivables collection from customers, partially offset by an increase in inventories.

Net cash used in investing activities was approximately RMB 25.1 million, primarily due to the partial payment for the purchase of property, plant and equipment subsequent to the shareholders' approval obtained during the EGM held on 28 July 2011, partially offset by the proceeds from the disposal of property, plant and equipment.

Meanwhile, the net cash used in financing activities of approximately RMB 5.0 million was mainly due to the payment of dividends of approximately RMB 6.2 million, repayment of third party loan of approximately RMB 4.8 million and payment of interest expenses of approximately RMB 2.9 million respectively, partially offset by the increase in short-term bank loan of approximately RMB 9.0 million

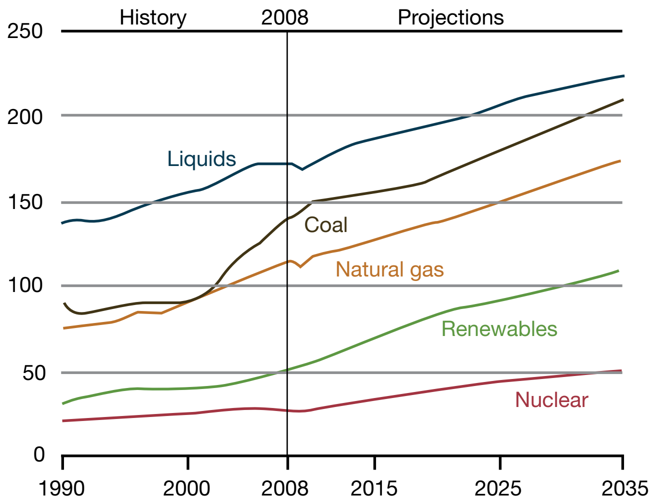
Overall, the underlying strength of the Group's liquidity position is enhanced by our strong operating cash flows and disciplined approach to capital expenditure.

LETTER TO SHAREHOLDERS

FORWARD GROWTH DRIVERS

Sustained Global Demand for Energy

Consumed on a recurring basis, energy is an essential building block for social and economic development. With increased global population and economic development, global energy demand is poised to increase as depicted in the graph below:



Source: EIA International Energy Outlook 2011 (http://205.254.135.7/forecasts/ieo/world.cfm)

To harness the energy sources to meet future energy demand, there will be continuous investment and exploration activities, particularly in the liquids, coal and natural gas segments. To gain access to these resources, it will generally require a combination of commercial explosion and drilling methodologies.

China's Growing Energy Demand

China is the world's biggest user and producer of coal and the country relies on coal for about 70% of its energy needs. According to the National Bureau of Statistics, China's energy use rose at the fastest pace in four years in 2011 as consumption climbed 7% to 3.48 billion metric tons of standard coal equivalent. Source: Bloomberg (http://www.bloomberg.com/news/2012-02-22/china-energy-consumption-rises-at-fastest-pace-in-four-years.html)

With China's dependence on coal for its energy supply, it underscores the demand for commercial explosives in China. In addition, the China commercial explosives market is undergoing consolidation and the Chinese authorities have ceased issuing new production licenses for new commercial explosives companies in China since 2005, domestic market participants has decreased substantially to less than 200 companies.

Infrastructure Construction

In April 2012, the Chinese government announced new plans to accelerate infrastructure spending to boost economic growth. With 20% of Fabchem's commercial explosives sold for infrastructure construction purposes, the proposed stimulus spending on roads, bridges, subways and railways within China's vast and mountainous terrain will likely fuel the demand for commercial explosives.

OUR STRATEGY ROADMAP

Firmly established as China's leading manufacturer of initiation systems and the largest boosters and detonating cords producer, the Group has a diversified clientele base of over 150 customers in the mining, infrastructure and exploration industries, of which repeat customers of the accounts for more 80% of average annual revenue.

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. Leveraging on this trend, we remain well-positioned to enhance our value propositions to our customers.

Enhanced Production Capacity

Amidst a supply-regulated industry, the Group has gradually expanded its production capabilities over the past years. Catering to the demand of sustained mining activities, the Group is undertaking the construction of additional detonating cords production facilities that will increase its production capacity from 50 million meters to 80 million meters. Progress is on track as originally planned and the Group targets to commence commercial operation of the new production facilities by April 2013.

Strengthen Cost Advantage and Quality Control Capability

At the same time, Fabchem is upgrading its existing boosters production facilities to significantly enhance the automation process, translating to an improvement in product quality, reduction in number of employees working on-site and further improve the safety standards of the facilities. The upgrading works will be undertaken progressively and the Group expects to complete all upgrading works by 31 March 2014.

Without compromising on our safety standards, we will continue to implement costs containment and production efficiency initiatives to strengthen our cost advantage. Our marketing efforts will also continue to be calibrated on improving our product sales-mix towards higher-margin products.

Strategic Partnership with Dyno Nobel Group

The commercial explosives industry in China is still very heavily regulated with restricted foreign involvement. As the only China-domiciled manufacturer listed outside of China, Fabchem has the additional flexibility to strengthen its strategic ties and working relationship together with our strategic shareholders.

Incitec Pivot Limited, via its subsidiary Dyno Nobel which is the world's second largest commercial explosives manufacturer, owns a 29.9% strategic stake in Fabchem. Working together, valuable market information and assistance can be cross-shared to mutually expand our business presence, product quality and productivity.

CONCLUSION

Over the past year, the Group's strategic priorities and objectives have taken shape and it is essential that we build on this momentum to chart new growth within this highly-regulated market.

In summary, we believe that the projected market trends will continue to benefit our customers, which will be an indirect boost to our business activities. Nonetheless, we continue to adopt a cautious optimism outlook for FY2013 as the global economy continues to experience uneven recovery in the near term.

IN RECOGNITION AND APPRECIATION

On behalf of the Board, we would like to give thanks to all our customers, suppliers, business partners and shareholders for their continued support. To the management team and all our employees, thank you for your commitment and dedication throughout FY2012 and the continued progress that we have achieved at Fabchem China.

We would also like to take this opportunity to welcome our new Non-Executive Director, Mr Frankie Manuel Micallef, Group Chief Financial Officer of Incitec Pivot Ltd, who was appointed on 01 April 2012 to replace Mr Christopher Michael Furnell who has resigned to focus on his work commitments at Incitec Pivot Joint Venture Board.

Once again, we would like to thank Mr Furnell for his guidance and invaluable contributions to the growth of our Group in recent years.

Moving ahead, we remain confident that our business model and prudent financial approach will enhance our competitive strengths and business synergies as we capitalise on new growth opportunities in this highly regulated and specialised industry.

主席致辞

尊敬的股东，

我谨在此荣幸地与你们分享中国杰化有限公司于2012财政年度所取得重要事迹。在过去的12个月里，中国杰化的战略性目标所取得的进展令人鼓舞，而这些重点发展项目的细节将会在接下来几页中与你分享。现在，就让我们回顾一下我们民爆器材的主要营运市场。

在亚洲，随着人口以及经济的快速增长，对于能源的需求也逐渐上升。这种情况在中国尤其明显。这也促使亚太地区的采矿、基本设施以及能源勘探活动持续地蓬勃发展。

目前，本集团的民爆器材有大约60%销售到世界各地的采矿公司。因此本集团在2012财政年度的财务表现创下新纪录，在中国内地以及海外市场皆取得了强劲的增长。

虽然亚洲区拥有稳定的增长势头，但在欧债危机持续地笼罩下，全球金融市场依然面对另一具挑战性的一年。因此本集团对于我们的整体营运环境还是保持着谨慎的态度。

然而，我们的经营模式以及稳健的财务状况将为我们在该严格管制市场中，营造长期增长的势头。

建议派发每股0.01新元的股息

为了回馈股东对本集团的支持以及实现我们每年将至少10%的净盈利作为股息的政策，董事会建议在2012财政年度派发每股0.01新元的股息，而派息比率为大约19.6%。

所建议的股息派发金额将是去年所派发的每股0.005新元股息数额的一倍，有待在来临的年度股东大会上通过批准。

稳健基础，铸就未来

在2012财政年度里，本集团采取了崭新的策略方针，打造一个较稳定的基础，铸就未来稳健的增长。其中，以下四个发展项目需要特别一提。

收购集团位于山东省临沂市费县的生产设施的相关土地和房地产

作为整合策略的一部分，我们在2011年7月获得了股东的批准后，本集团成功收购了我们在山东省临沂市费县的生产设施及相关土地和房地产。该资产总面积达439,036平方米的土地以及内置式面积达大约21,041平方米的房产。

除了能够避免租金增幅和搬迁的风险外，此收购案也能确保本集团拥有足够的土地，为集团的特殊生产业务以及未来的拓展计划做好准备。

对于任何有关资产投资事宜的决定，董事会的引导原则是必须有益于本集团长期的资产价值。

采纳与战略性股东Dyno Nobel 集团的关联交易授权(IPT)

在2011年11月间，股东同意采纳所建议的IPT，这关系到本集团与Dyno Nobel集团未来所进行的产品销售交易。从那时候开始，本集团已从Dyno Nobel集团接获了更多的销售合约。该IPT将在来临的股东大会上再次通过表决才能延续。

增加导爆索的生产设施

之前我们宣布了增建导爆索的生产设施，而在现阶段的相关建筑工程已如期进行。我们计划在2013年4月全面启动新生产设施的商业运作。一旦新的生产设施开始运作，我们的导爆索的生产线的年产量会从5000万米增至8000万米。相关的投资大约为3000万元人民币，并将由内部资金支付。目前，我们现有的导爆索生产线设施已接近满负荷运转。

现有中继起爆具生产设施的自动化改造

本集团目前正在对现有的中继起爆具生产设施进行自动化改造，这将加强自动化过程、提升产品的质量、减少须在生产线工作的员工人数以及进一步提升设施的安全标准。这项自动化改造工程将会以阶段性进行，而我们预计所有的改造工程将在2014年3月竣工。总投资预计将达到3950万元人民币，并会由内部资金支付。

在营运方面，本集团过去一年所优先强调的措施如争取更多的增长机会、提升生产力以及有效控制生产成本已经有效地

引导我们取得增长。我们将继续依据营运环境而适当地对商业策略进行修改。

杰出财务年度的回顾

多方面的增长

在之前所指出的，亚洲持续性的能源以及金属资源采矿活动是继续驱动本集团营业额增长的主要因素之一。

回顾2012财政年度，本集团的产品组别如 （i）中继起爆具，震源药柱、（ii）工业导爆管雷管以及（iii）硝酸铵的产品种类都分别增长了37.3%，18.5%以及39.4%，营业额达1亿3160万元人民币，8740万元人民币以及2亿120万元人民币。

我们的行销拓展策略继续为我们建造鼓舞的表现。尤其是我们来自海外市场的营业额上升了45.9%，达9850万元人民币。本集团大部分的海外销售量都是以原装设备生产商（OEM）的形式，而这些OEM产品都销售给全球顶尖的民爆器材公司如Orica Limited以及Dyno Nobel Group。

虽然海外市场的增长率（45.9%）高于中国市场（19.8%），但中国仍然是本集团的主要市场，占了2012财政年度营业额的80.9%。

总体而言，在2012财政年度中，我们的总营业额增长至5亿1610万元人民币，创下了新的销售记录。

运作效率的提升

虽然不断上升的原材料价格是每个商业活动的一部分，而为了减低这些因素对财务表现的负面影响，本集团已推出许多成本控制以及加强生产力的措施。在本财政年度，即使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，但整体毛利率在2012财政年度还是取得稍微的增幅至31%。

毛利率的微升主要因为硝酸铵的平均售价有所上升，配合更高的营运效率以及省略租金的费用（自2011年7月起），促使我们在2012财政年的整体毛利增长27.7%，达1亿5990万元人民币。

营运成本回顾

在销售营业额增长的推动下，销售费用因此上升了29.5%或约720万元人民币，从2011财政年的2450万元人民币增至2012财政年的3170万元人民币。

管理费用也增长大约710万元人民币或18.3%，从2011财政年的3880万元人民币增至4590万元人民币。管理费用的上升主要是因随着营业额以及所得税前利润的提升而增加了对安全费用的提备以及执行董事的分红所致。安全费用的提备是依据中国国家安全生产监督管理总局的规定，从我们的年度营业额中的预定百分比来计算。而摊销费用也在本财政年度有所提高，主要是收购房地产及土地使用权而导致的。

本集团在2012财政年的有效税收率为27.2%，比起2011财政年的36.5%有所下降。这比起中国企业所得税率的25%高，主要是因为非抵扣费用。同时由于前财政年度的所得税提备有超额，因此抵消了一部分的税率。

税息折旧及摊销前利润(EBITDA)以及净利润的提升

随着2012财政年度所取得的业务及营运方面的进步，股东应占利润在2012财政年度激增69.9%，达到6000万元人民币。与此同时，税息折旧及摊销前利润上升39.8%，达1亿360万元人民币。

本集团将着重于在我们的商业活动中提升营业额增长、加强利润率以及更有效地管理成本。

稳健的资产负债表

除了作为企业稳定的指标外，我们稳健的资产负债表将继续资助我们的战略计划。以保守财务管理政策为引导原则，较低的财务杠杆比率将使集团取得更多未来的商机。

在2012财政年度杰出财务表现的推动下，截至2012年3月31日的总资产提升至6亿7610万元人民币，其中以现金与现金等价物为1亿310万元人民币。

主席致辞

股东权益为4亿4040万元人民币，比起去年同期上升了13.8%或5360万元人民币。每股净资产价值为188.21分人民币，比起去年同期上升了13.9%或22.9分人民币。

本集团的总负债为2亿3570万元人民币，主要由应付及其它应付款项的1亿8310万元人民币组成。应付及其它应付款项的增幅达到8090万元人民币，主要因为在2011年7月获得了股东的批准后，我们所进行的土地房产收购行动促使其它应付款项增加所致。

现金流动量摘要

截至财政年2012年3月31日，本集团的经营活动所产生的净现金量达3220万元人民币，主要因为销售量有所提升以及加强应收账款和其它应收款项的管理所致，但部分由库存的增加所抵消。

投资活动所使用的净现金量为2510万元人民币。在2011年7月28日举行的特别股东大会上获得了批准后，我们主要将现金使用在固定资产的收购活动上，部分由固定资产处理后的收入抵消。

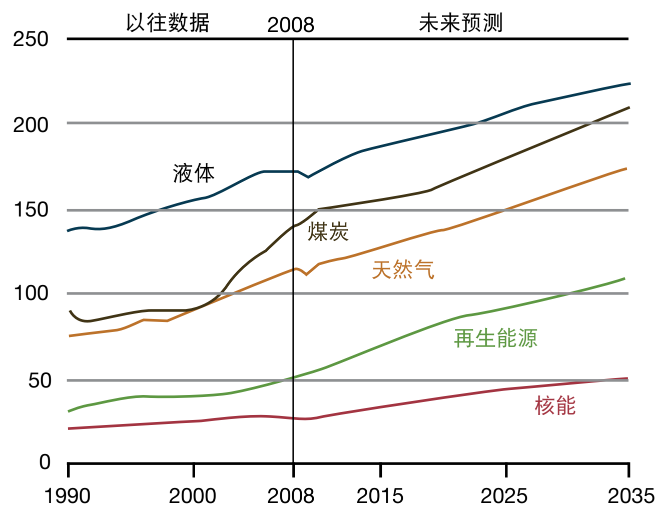
同时，融资活动所使用的净现金量为500万元人民币，主要因为有大约620万元人民币股息的支付、偿还第三方贷款约480万元人民币以及支付利息费用约290万元人民币，部分由短期银行贷款约900万元人民币的增幅所抵消。

以良好的营运现金流量以及纪律性的资本投资所引导，本集团的财务流动资金将逐渐加强。

驱动增长的引擎

持续性的国际能源需求

能源，作为一个社会以及经济发展的重要一环，是持续被消耗的。在全球人口增长以及经济发展的带动下，全球能源的需求将如以下图表所呈现的，持续保持增长趋势。



来源：美国能源信息署国际能源展望2011
(http://205.254.135.7/forecasts/ieo/world.cfm)

为了确保有足够的能源应付未来的能源需求，持续性的投资以及勘探活动将更加显著，尤其是在液体、煤炭以及天然气等领域。为了获得这些资源，需要使用大量的民爆器材以及钻探方法。

中国节节攀升的能源需求

中国是世界上最大的煤炭使用国兼生产国，70%的能源需求量都依赖煤炭。根据国家统计局的报告，中国在2011年的能源使用率在过去四年创新高，标准煤炭及等同物的消耗率攀升到了7%，达34亿8000万吨。

基于中国依赖煤炭以获取其能源供应，这意味着民爆器材及相关产品的需求在中国依然会持续。另外，中国政府自2005年已经开始对民爆器材生产企业进行整合重组，小的民爆器材生产企业被大的企业整合或者被关停，同时停止对新的民爆器材生产企业派发新的生产执照，以致在内地市场业者的数量显著下降至不到200家公司。

基本设施的建造

在2012年4月，中国政府宣布新措施，加快基本设施的建设，以促进经济增长。集团的民爆器材有大约20%销售并使用以基本设施的建筑用途上。此提出的振兴发展方案将着重于修建在中国的道路、桥、地铁以及铁路，而以中国的庞大和山区地形来看，这将能推动民爆器材及相关产品的需求量上升。

战略发展蓝图

作为一家在中国具有规模的领先民爆器材生产商兼最大的中继起爆具以及导爆索的生产商，本集团拥有一个横跨采矿、基本设施以及勘探工业领域的客户群，超过150名多元化的客户，其中回流客户占了超过80%的年度平均营业额。

全球人口持续增长以致对能源资源以及原材料的依赖提高，这显示出我们主要营运市场的稳固根基。通过这个趋势，我们将继续为我们的客户创造更高的价值。

提升生产量

在供应受到限制的该领域里，本集团已在过去几年逐渐扩大了其生产能力。为了应付现有及未来的采矿活动，本集团已经开始建造额外的导爆索生产设施，预计将提高其生产量，从原本的5000万米提升到8000万米。进度目前正如期进行，而本集团计划在2013年4月前启动新生产设施的商业运作。

加强成本优势以及质量监控能力

同时，集团正在改造其现有的中继起爆具生产设施，以加强自动化过程，从而提高产品的质量、减少在生产线工作的员工人数以及进一步加强设施的安全标准。提升工程将会循序渐进，并预计将在2014年3月31日完成所有工程。

在没有影响安全标准的情况下，我们将继续实施成本控制以及提高生产效率措施，以加强我们的成本优势。我们也将加强较高利润率的产品的行销，以改善我们的产品销售比例。

与Dyno Nobel Group的战略伙伴关系

中国的民爆器材市场依然是受到严格管制的领域，并对海外公司实施限制。作为唯一一家总部设在中国、但在中国以外上市的民爆器材生产商，中国杰化拥有额外的灵活性来加强与我们战略股东的战略合作与商业运作。

Incitec Pivot Limited通过其子公司Dyno Nobel，拥有中国杰化29.9%的战略股份。Dyno Nobel是目前全球第二大的民爆器材公司。通过携手努力，我们将能够分享宝贵的市场资源以及援助，以共同扩展商业版图、产品质量以及生产力。

结论语

在过去一年，本集团的策略以及目标已经逐渐成形，因此我们必须乘着这个势头前进，这将促使我们在该严格管制领域中，继续规划新增长策略。

我们相信，所预估的市场趋势将继续有利于我们的客户，并将间接地对我们的商业活动带来商机。然而随着全球经济在近期内将持续处于不稳定的复苏阶段，我们依然将采取审慎乐观的态度迈向2013财政年。

鸣谢

我谨在此代表董事会，向所有的客户、供应商、商业伙伴以及股东对我们的长期支持表示深切的感谢。对于管理层以及所有的员工，我也感谢你们在2012财政年中对中国杰化所付出的努力和贡献，造就中国杰化所累计的成就。

我们也借此机会欢迎非执行董事Frankie Manuel Micallef先生的加入。目前担任Incitec Pivot Ltd首席财务官的Frankie Manuel Micallef先生是在2012年4月1日受委任的，以取代离职的Christopher Michael Furnell先生。Furnell先生的离职是为了专著于他在Incitec Pivot Joint Venture Board的职务。我由衷地感谢Furnell先生的指导以及在过去对本集团的增长所付出的宝贵贡献。

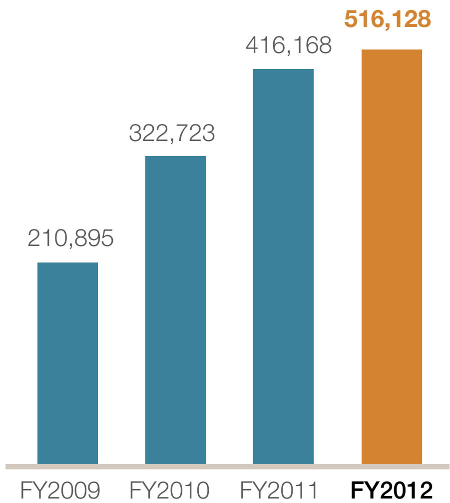
展望未来，我们依然充满信心，我们的经营模式以及谨慎的财务方针，将加强我们的竞争能力以及商业协同作用。我们将继续在该特殊工业领域中争取新的增长商机。

FINANCIAL HIGHLIGHTS

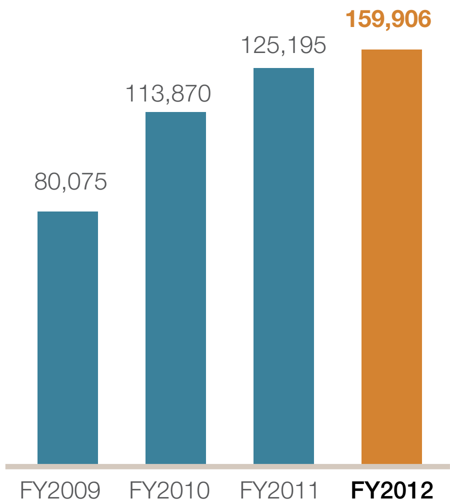
FINANCIAL YEAR-END MARCH	FY2009 RMB'000	FY2010 RMB'000	FY2011 RMB'000	FY2012 RMB'000
REVENUE BY PRODUCT SEGMENTS				
Explosive Devices	69,274	83,756	95,887	131,160
Industrial Fuse and Initiating Explosive Devices	71,510	97,259	101,648	95,392
Industrial Detonators	49,934	65,437	73,749	87,406
Ammonium Nitrate	18,895	75,321	144,430	201,293
Others	1,282	950	454	427
OPERATING RESULTS				
Revenue	210,895	322,723	416,168	516,128
Gross Profit	80,075	113,870	125,195	159,906
Profit before Income Tax	42,094	58,370	55,672	82,407
Profit Attributable to Shareholders	34,936	47,213	35,324	60,015
EBITDA*	45,594	76,055	74,164	103,645
BALANCE SHEET				
Non-Current Assets	203,489	251,131	245,228	342,331
Current Assets	306,196	281,795	294,048	333,780
Current Liabilities	200,994	170,341	146,965	230,392
Non-Current Liabilities	226	6,081	5,477	5,313
Shareholders' Equity	308,465	356,504	386,834	440,406
CASH FLOW				
Net Cash From Operating Activities	46,734	56,618	17,349	32,221
Net Cash Used in Investing Activities	(43,092)	(53,142)	(10,920)	(25,080)
Net Cash From/ (Used In) Financing Activities	51	(8,842)	(12,631)	(5,041)

* Earnings before Interest, Tax, Depreciation and Amortisation

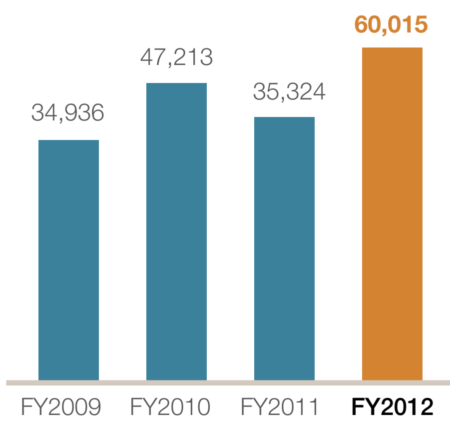
REVENUE
(RMB'000)



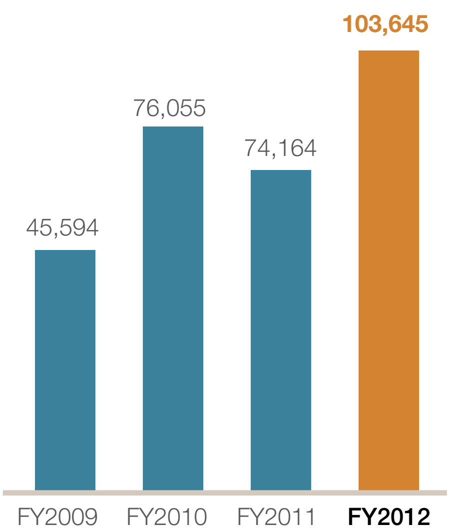
GROSS PROFIT
(RMB'000)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(RMB'000)



EBITDA
(RMB'000)



Platform for Growth

"With continued strong demand for our products in China, Australia and other overseas markets over the past years, Fabchem China Limited is optimistic on the dynamism and growth opportunities in these areas. Besides, we are also actively boosting our presence in the global market by leveraging on our reputed track record and capitalising on any business potential, aligning them to the direction of our plans for sustainable long-term growth."

BOARD OF DIRECTORS

From Left to right
Front row:
Bao Hongwei, Dr. Lim Seck Yeow, Sun Bowen

Back row:
Frankie Manuel Micallef, Jiang Rongguang, Peter Neville Hogan, Ong Tai Tiong Desmond, Wee Phui Gam

Dr. Lim Seck Yeow

Non-Executive Chairman

Dr. Lim Seck Yeow is our Non-Executive Chairman and was appointed 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 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 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.

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 and the Villa Maria Society, an Australian not-for-profit organisation providing services in the aged care and disability sectors.

Board of Directors

Frankie Manuel Micallef
Non-Executive Director

Frankie Manuel Micallef is our Non-Executive Director and was appointed on 1 April 2012. Frankie Manuel Micallef is currently the Group Chief Financial Officer of Incitec Pivot Ltd and he joined Incitec Pivot Ltd in May 2008 as General Manager, Treasury and Chief Financial Officer, Trading. Prior to joining Incitec Pivot Ltd, he had significant experience in the explosives and mining industries as Global Treasurer and Investor Relations Manager at Orica Limited and General Manager Accounting at North Limited.

Ong Tai Tiong Desmond
Independent Director

Ong Tai Tiong Desmond is our Independent Director and was appointed 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 is our Independent Director and was appointed 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 is our Independent Director and was appointed 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.

Financial Contents

SAFETY AND SECURITY COMPLIANCE

SAFETY MEASURES

The safety of our operations is of paramount importance to us. We have manuals to guide our staff on the important safety procedures which should be adhered to in the production process. We have also established a safety department comprising sixteen 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.

   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.

d) Fei County Economic & Information Technology Bureau (费县经贸局) and Linyi Economic and Information Technology Committee (临沂市经贸委) organize the implementation of supervision and inspection and driving technological innovation work.

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 2012, we had a security team comprising 119 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.

SAFETY AND SECURITY 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.

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 Board adopts practices based on the Code of Corporate Governance 2005 ("Code") and the amendments to the Mainboard Listing Rules ("Listing Rules") which came into effect on 29 September 2011 as announced by the Singapore Exchange Limited Securities Trading ("SGX-ST") to strengthen corporate governance practices and foster greater corporate disclosure, where it is applicable and practical to the Group.

The Board is pleased to report compliance of the Company with the Code and Listing Rules except where otherwise stated.

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	4	–	–	–	–	–	–
Bao Hongwei	4	4	–	–	–	–	–	–
Peter Neville Hogan	4	3	–	–	–	–	–	–
Christopher Michael Furnell (1)	4	4	–	–	–	–	–	–
Ong Tai Tiong Desmond	4	3	4	3	1	1	1	1
Wee Phui Gam	4	4	4	4	1	1	1	1
Jiang Rongguang	4	4	–	–	–	–	–	–
Frankie Manuel Micallef (2)	4	–	–	–	–	–	–	–

Notes:

(1) Mr. Christopher Michael Furnell resigned from the Board on 31 March 2012.

(2) Mr. Frankie Manuel Micallef was appointed to the Board on 01 April 2012.

The Directors received briefings and updates on changes in the relevant laws, regulations and accounting standards. The Directors also received updates on the business of the Group through regular schedule meetings and ad-hoc Board Meetings.

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.

To-date, none of the Independent Directors of the Company has been appointed as a Director of the Company's principal subsidiaries. The Board and the Management are of the view that the current Board structures in the principal subsidiaries are already well organized and constituted.

The Board and the Management will from time to time review the Board structures of the principal subsidiaries and will make an appropriate corporate decision to consider the appointment of the Independent Director into the principal subsidiaries.

Principle 3: Role of Chairman and Chief Executive Officer

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

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

Principle 4: Board Membership

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

We believe that Board renewal must be an ongoing process, to ensure good governance and to maintain relevance to the business and changing needs of the Company. The Company's Articles of Association require at least one-third of the Directors to retire and subject themselves to re-election by shareholders at every AGM. In other words, no Director stays in office for more than three years without being re-elected by shareholders. Directors of or over 70 years of age required to be re-elected every year at the AGM under Section 153(6) of the Companies Act, Cap. 50 before they can continue to act as Director.

The NC comprises Mr Ong Tai Tiong Desmond, Dr Lim Seck Yeow and Mr 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.

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 a period of 3 years. The RC reviews the compensation commitments for early termination under the service contracts.

Principle 9: Disclosure on Remuneration

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

Remuneration of Directors

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

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

For competitive reasons, the Company is not disclosing the annual remuneration of each individual Director for the financial year ended 31 March 2012. 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	Above S$500,000	Directors' Fees [1]	Percentage of Variable Remuneration	Percentage of Fixed Remuneration (including Directors' Fees)
				(%)	(%)	(%)
Dr Lim Seck Yeow	✓	–	–	100	–	100
Sun Bowen	–	–	✓	–	69.8	30.2
Bao Hongwei	✓	–	–	–	69.9	30.1
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
Frankie Manuel Micallef [2]	–	–	–	–	–	–

Notes:

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

(2) Mr. Frankie Manuel Micallef was appointed to the Board on 01 April 2012.

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 2012 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 2012 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	✓	20.3	79.7
Chen Hongyu	✓	–	100

Note:

(1) Sun Qiang is the son of the Managing Director whose remuneration did not exceed S$150,000 during the financial year ended 31 March 2012. 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 2012.

3. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Audit Committee

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

The Executive Directors will continue to manage the operations of the Company and the 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;

(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 2012 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 Audit Committee has reviewed the independence of the Company's external auditors and is satisfied with the independence and objectivity of the external auditors. The aggregate amount of fees paid to the external auditors of the Company and subsidiaries for audit services was S$72,000. The non-audit services provided by the external auditors for the financial year ended 31 March 2012 was S$2,200. 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.

The Group has appointed different auditors for its overseas subsidiaries. The Board and Audit Committee have reviewed that the appointment of different auditors for its overseas subsidiaries and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. The Company is in compliance with Rules 712, 715 and 716 of the Listing Rules in relation to its independent auditors.

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. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 March 2012.

Principle 13: Internal Audit

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

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

Principle 14: Whistle-blowing Policy

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

4. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

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

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

Principle 16: Greater Shareholder Participation

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

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

The 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.

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 2012.

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 2012, 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 FY2012**	**Actual FY2011**	**Actual FY2012**	**Actual FY2011**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	2,000	8,000	–	–
Shandong Yinguang Chemical Industry Co., Ltd (1)	Acquisition of land and property	108,698	–	–	–
Feixian Yinguang Transport Co., Ltd.	Payment of transportation charges	4,206	3,249	–	–
Linyi Yinguang Printing and Packaging Co., Ltd	Purchase of printing and packaging materials	–	1,290	–	–
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	2,307	1,877	–	–
Shandong Yinguang Chemical Group Co., Ltd (2)	Sales of ammonium nitrate	–	–	5,359	7,254
Dyno Nobel Australia (3)	Sales of commercial explosives	14,698	4,204	9,373	–

Footnote:

(1) The acquisition of land and property was approved at the Extraordinary General Meeting held on 28 July 2011.

(2) The relevant general mandate was updated and approved at the Annual General Meeting held on 28 July 2011.

(3) The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011.

9. USE OF IPO PROCEEDS

For the financial year ended 31 March 2012, the Group has a total of unutilised IPO proceeds approximate 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 2012.

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
Frankie Manuel Micallef (Appointed on 1 April 2012)
Ong Tai Tiong Desmond
Wee Phui Gam
Jiang Rongguang

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, Chapter 50 except as follows:

Name of directors and company in which interest are held	Direct Interest At beginning of the reporting year	At end of the reporting year
The Company	**Ordinary shares with no par value**	
Bao Hongwei	4,788,000	4,788,000
	Deemed Interest	
The Company	**Ordinary shares with no par value**	
Dr Lim Seck Yeow	18,334,000	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 2012 were the same as those at the end of the reporting year.

By virtue of section 7 of the Singapore Companies Act, Chapter 50, Mr Sun Bowen with the above deemed interests is also deemed to have an interest in all the related corporations of the company.

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, Chapter 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. Shares Options

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

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

6. 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 other functions, it performed the following:

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

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

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

7. Independent Auditors

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

8. 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 29 May 2012, 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

4 June 2012

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 2012 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 4 June 2012.

On Behalf of the Directors

Sun Bowen
Director

Bao Hongwei
Director

4 June 2012

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Fabchem China Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 March 2012, 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 the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, 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 2012 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

4 June 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

		Group	
	Notes	2012	2011
		RMB'000	RMB'000
Revenue	5	516,128	416,168
Cost of Sales		(356,222)	(290,973)
Gross Profit		159,906	125,195
Other Items of Income			
Interest Income	6	704	453
Other Credits	7	6,878	1,261
Other Items of Expense			
Distribution Costs		(31,728)	(24,506)
Administrative Expenses		(45,946)	(38,838)
Finance Costs	6	(2,925)	(2,504)
Other Charges	7	(4,482)	(5,389)
Profit Before Tax From Continuing Operations		82,407	55,672
Income Tax Expense	9	(22,392)	(20,348)
Profit from Continuing Operations, Net of Tax		60,015	35,324
Other Comprehensive Income:			
Exchange Differences on Translating Financial Statements of Company		(258)	893
Total Comprehensive Income		59,757	36,217
		RMB	RMB
Earnings Per Share		Cents	Cents
- Basic	10	25.65	15.10
- Diluted	10	25.65	15.10

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

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2012

	Notes	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	13	234,404	181,277	248	300
Intangible Assets	14	5,678	6,541	–	–
Other Assets, Non-Current	15	97,754	53,300	–	–
Investment in Subsidiaries	16	–	–	113,298	117,175
Deferred Tax Assets	9	4,495	4,110	–	–
Total Non-Current Assets		342,331	245,228	113,546	117,475
Current Assets					
Inventories	17	62,404	46,534	–	–
Trade and Other Receivables, Current	18	124,268	116,159	41,828	29,186
Other Assets, Current	15	43,965	30,302	68	73
Cash and Cash Equivalents	19	103,143	101,053	217	712
Total Current Assets		333,780	294,048	42,113	29,971
Total Assets		676,111	539,276	155,659	147,446
EQUITY AND LIABILITIES					
Equity					
Share Capital	20	116,849	116,849	116,849	116,849
Retained Earnings		279,925	231,074	31,635	20,451
Other Reserves	21	43,632	38,911	1,241	5,377
Total Equity		440,406	386,834	149,725	142,677
Non-Current Liabilities					
Deferred Tax Liabilities	9	5,306	5,380	–	–
Other Financial Liabilities, Non-Current	22	7	97	7	97
Total Non-Current Liabilities		5,313	5,477	7	97
Current Liabilities					
Income Tax Payable		981	3,068	–	–
Trade and Other Payables, Current	23	183,078	102,143	5,840	4,587
Other Financial Liabilities, Current	22	43,674	39,515	87	85
Other Liabilities, Current	24	2,659	2,239	–	–
Total Current Liabilities		230,392	146,965	5,927	4,672
Total Liabilities		235,705	152,442	5,934	4,769
Total Equity and Liabilities		676,111	539,276	155,659	147,446

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2012

Group:	Total Equity	Share Capital	Retained Earnings	Statutory Reserve	Foreign Exchange Translation Reserve
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Year:					
Opening Balance at 1 April 2011	386,834	116,849	231,074	37,567	1,344
Movements in Equity:					
Dividend Paid (Note 11)	(6,185)	–	(6,185)	–	–
Total Comprehensive Income for the Year	59,757	–	60,015	–	(258)
Appropriation for the Year (Note 21)	–	–	(4,979)	4,979	–
Closing Balance at 31 March 2012	440,406	116,849	279,925	42,546	1,086
Previous 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

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 2011	142,677	116,849	20,451	5,377
Movements in Equity:				
Dividends Paid (Note 11)	(6,185)	–	(6,185)	–
Total Comprehensive Income for the Year	13,233	–	17,369	(4,136)
Closing Balance at 31 March 2012	149,725	116,849	31,635	1,241
Previous Year:				
Opening Balance at 1 April 2010	132,482	116,849	18,139	(2,506)
Movements in Equity:				
Dividends Paid (Note 11)	(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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2012

	2012 RMB'000	2011 RMB'000
Cash Flows From Operating Activities		
Profit Before Tax	82,407	55,672
Allowance for Impairment on Trade and Other Receivables – Loss	3,888	3,934
Allowance for Impairment on Trade and Other Receivables – Reversal	(174)	(194)
Allowance for Impairment on Inventories – Loss	311	–
Amortisation of Other Intangible Assets and Land Use Right	3,002	1,823
Bad Debts Written-off	5	135
Depreciation of Property, Plant and Equipment	17,398	15,991
Gain on Disposal of Plant and Equipment	(3,792)	(35)
Net Effect of Exchange Rate Changes in Translation of Financial Statements of Parent	(249)	873
Interest Expense	2,925	2,504
Interest Income	(704)	(453)
Operating Cash Flows before Changes in Working Capital	105,017	80,250
Inventories	(16,181)	1,229
Trade and Other Receivables	(8,917)	(21,170)
Other Assets	(13,663)	(2,649)
Trade and Other Payables	(6,616)	(21,114)
Other Liabilities	420	(1,157)
Net Cash Flows from Operations Before Interest and Tax	60,060	35,389
Income Taxes Paid	(27,849)	(18,040)
Net Cash Flows From Operating Activities	32,211	17,349
Cash Flows From Investing Activities		
Proceeds from Disposal of Plant and Equipment	6,482	689
Purchase of Property, Plant and Equipment (Note 23)	(32,266)	(12,062)
Interest Received	704	453
Net Cash Flows Used in Investing Activities	(25,080)	(10,920)
Cash Flows From Financing Activities		
Dividends Paid	(6,185)	(5,887)
Proceeds from Bank Borrowings	34,000	15,000
Repayment of Borrowings	(29,843)	(19,176)
Repayment of Lease Liabilities	(88)	(64)
Interest Paid	(2,925)	(2,504)
Net Cash Flows Used in Financing Activities	(5,041)	(12,631)
Net Increase/(Decrease) in Cash and Cash Equivalents	2,090	(6,202)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	101,053	107,255
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 19)	103,143	101,053

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Chinese Renminbi ("RMB") and they cover the company (referred to as "parent") and its subsidiaries.

The board of directors approved and authorised these financial statements for issue on 4 June 2012.

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

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

The registered office is: 80 Robinson Road #02-00, Singapore 068898. The company is situated 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, Chapter 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 consolidated financial statements 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 and other comprehensive income items and dividends are eliminated on consolidation. The results of any subsidiary acquired or disposed of during the reporting year are accounted for from the respective dates of acquisition or up to the date of disposal which is the date on which effective control is obtained of the acquired business until that control ceases.

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, Chapter 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.

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.

2. Summary of Significant Accounting Policies (Continued)

Foreign Currency Transactions

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 RMB5.0261 to S$1.00 (2011: RMB5.1981 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 RMB5.1107 to S$1.00 (2011: RMB5.0555 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.

Translation of Financial Statements of Other Entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity 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 relevant entity.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

Business Combinations

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

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%

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.

2. Summary of Significant Accounting Policies (Continued)

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 accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book 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.

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.

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.

Financial Assets

Initial recognition, measurement and derecognition:

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 method.

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. Summary of Significant Accounting Policies (Continued)

Financial Assets (Cont'd)

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.

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, measurement and derecognition:

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. Summary of Significant Accounting Policies (Continued)

Financial Liabilities (Cont'd)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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 RMB4,495,000 (2011: RMB4,110,000).

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 RMB154,071,000 (2011: RMB131,706,000).

Leasehold property and Land use rights:

The group has leasehold property and land use rights stated at carrying value of RMB80,074,000 (2011: RMB48,018,000) and RMB97,754,000 (2011: RMB53,300,000) respectively. 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.

2. Summary of Significant Accounting Policies (Continued)

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

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. The carrying amount of intangible assets at the end of the reporting year affected by the assumption is RMB5,678,000 (2011: RMB6,541,000).

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.

3. Related Party Relationships and Transactions (Continued)

3.2 Other related parties: (Cont'd)

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 2012	2011
	RMB'000	RMB'000
Acquisition of land use rights	46,593	–
Acquisition of property, plant and equipment	62,105	–
Sales of goods	(31,737)	(13,335)
Rental expenses	2,318	8,315
Purchase of goods	795	1,850
Freight charges	4,206	3,249

3.3 Key management compensation:

	Group 2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	7,852	6,343

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

	2012	2011
	RMB'000	RMB'000
Remuneration of directors of the company	4,263	3,099
Fees to directors of the company	1,717	1,560

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

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

3. Related Party Relationships and Transactions (Continued)

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

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

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

	Group	
	2012	2011
	RMB'000	RMB'000
Other related parties:		
Other payables:		
Balance at beginning of year	(921)	(6,204)
Amounts paid out and settlement of liabilities on behalf of related parties	25,063	9,015
Amounts paid in and settlement of liabilities on behalf of the company	(113,699)	(3,732)
Balance at end of year (Note 23)	(89,557)	(921)

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 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.

4. Financial Information by Operating Segments (Continued)

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities (Cont'd)

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.

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 2012						
Revenue by Segment	131,610	95,392	87,406	201,293	427	516,128
Total revenue	131,610	95,392	87,406	201,293	427	516,128
Recurring EBITDA	34,567	41,598	39,164	39,944	(385)	154,888
Depreciation	(1,835)	(607)	(6,257)	(5,356)	(3,343)	(17,398)
Amortisation	(382)	–	(233)	(1,208)	(1,179)	(3,002)
ORBIT	32,350	40,991	32,674	33,380	(4,907)	134,488
Interest income					704	704
Finance costs					(2,925)	(2,925)
Unallocated corporate expenses					(49,860)	(49,860)
Profit before tax from continuing operations						82,407
Income tax expense						(22,392)
Profit from continuing operations						60,015
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

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
2012						
Total assets for reportable segments	59,749	32,786	106,129	150,319	–	348,983
Unallocated:						
Property, plant and equipment					51,758	51,758
Other assets, non-current					45,414	45,414
Deferred tax assets					4,495	4,495
Inventories					26,921	26,921
Trade and other receivables					87,993	87,993
Other assets, current					32,816	32,816
Cash and cash equivalents					77,731	77,731
Total group assets	59,749	32,786	106,129	150,319	327,128	676,111
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, current					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

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
2012						
Total liabilities for reportable segments	1,780	641	1,691	76,091	–	80,203
Unallocated:						
Deferred tax liabilities					5,306	5,306
Income tax payable					981	981
Trade and other payables					146,554	146,554
Other liabilities					2,567	2,567
Other financial liabilities					94	94
Total group liabilities	1,780	641	1,691	76,091	155,502	235,705
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

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:						
2012	–	–	–	–	238	238
2011	–	–	–	–	3,840	3,840
Expenditures for non-current assets:						
2012	9,998	24,502	7,796	1,545	77,678	121,519
2011	242	60	2,846	4,385	4,529	12,062

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	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within PRC	417,596	348,649	337,588	240,818
Outside PRC:				
Sales through export distributors	13,943	14,499	–	–
Australia	67,124	39,279	–	–
Singapore	–	–	248	300
Others (*)	17,465	13,741	–	–
Subtotal for all foreign countries	98,532	67,519	248	300
Total continuing operations	516,128	416,168	337,836	241,118

(*) Others include Kyrgyzstan, Mongolia, Indonesia.

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.

4G. Information about Major Customers

There are no customers with revenue transactions over 10% the group revenue.

5. Revenue

	Group	
	2012	2011
	RMB'000	RMB'000
Sale of goods	516,128	416,168

6. Interest Income and (Finance Costs)

	Group 2012 RMB'000	Group 2011 RMB'000
Interest income	704	453
Bank interest expense	(2,917)	(2,492)
Finance lease interest expense	(8)	(12)
Net	(2,221)	(2,051)
Presented in profit or loss as:		
Interest Income	704	453
Finance Costs	(2,925)	(2,504)
Net	(2,221)	(2,051)

7. Other Credits and (Other Charges)

	Group 2012 RMB'000	Group 2011 RMB'000
Bad debts written-off trade receivables	(5)	(135)
Foreign exchange adjustment loss	(278)	(1,320)
Gain on disposal of property, plant and equipment	3,792	35
Government grant	2,912	1,032
Allowance for impairment on trade and other receivables – loss	(3,888)	(3,934)
Allowance for impairment on trade and other receivables – reversal	174	194
Allowance for impairment on inventories - loss	(311)	–
Net	2,396	(4,128)
Presented in profit or loss as:		
Other Credits	6,878	1,261
Other Charges	(4,482)	(5,389)
Net	2,396	(4,128)

8. Employee Benefits Expense

	Group 2012 RMB'000	Group 2011 RMB'000
Employee benefits expense	51,224	40,552
Contributions to defined contribution plans	11,849	8,589
Total employee benefits expense	63,073	49,141

8. Employee Benefits Expense (Continued)

The employee benefit expense is charged as follows:

	Cost of Sales	Distribution Costs	Administrative Expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
2012	42,462	4,012	16,599	63,073
2011	32,104	2,894	14,143	49,141

9. Income Tax Expense

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

	Group	
	2012	2011
	RMB'000	RMB'000
Current tax expense		
Current tax expense	23,637	19,046
(Over)/Under adjustments to current tax in respect of prior periods	(786)	2,315
Subtotal	22,851	21,361
Deferred tax income		
Deferred tax income	(459)	(1,013)
Subtotal	(459)	(1,013)
Total income tax expense	22,392	20,348

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% (2011: 17%) to profit before income tax as a result of the following differences:

	Group	
	2012	2011
	RMB'000	RMB'000
Profit Before Tax	82,407	55,672
Income tax expense at the above rate	14,009	9,464
Not deductible items	1,497	3,103
(Over)/Under adjustments to tax in respect of prior periods	(786)	2,315
Effect of different tax rate in foreign countries	7,672	5,466
Total income tax expense	22,392	20,348

The prevailing statutory income tax rate in the People's Republic of China ("PRC") is 25%.

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

9. Income Tax Expense (Continued)

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

	Group 2012 RMB'000	Group 2011 RMB'000
Excess of net book value of plant and equipment over tax values	(458)	(141)
Excess of net book value of land use rights over tax values	(32)	(32)
Excess of net book value of licences and customer relationship over tax values	(216)	(216)
Allowance for impairment of trade and other receivables	(891)	(928)
Allowance for impairment of inventories	(78)	–
Accrual for safety expenses	516	(396)
Deferred tax charge relating to unremitted profits of a subsidiary	700	700
Total deferred income tax income recognised in profit or loss	(459)	(1,013)

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

	Group 2012 RMB'000	Group 2011 RMB'000
Deferred tax (liabilities) recognised in profit or loss:		
Excess of net book value of plant and equipment over tax values	(2,150)	(2,500)
Excess of tax values over net book value of plant and equipment	108	–
Excess of net book value of land use rights over tax values	(1,354)	(1,386)
Excess of net book value of licences and customer relationship over tax values	(1,419)	(1,635)
Allowance for impairment of trade and other receivables	3,850	2,959
Allowance for impairment of inventories	78	–
Accrual for safety expenses	1,476	1,992
Deferred tax charge relating to unremitted profits of a subsidiary	(1,400)	(700)
Net balance	(811)	(1,270)

Presented in the statement of financial position as follows:

	Group 2012 RMB'000	Group 2011 RMB'000
Deferred tax liabilities	(5,306)	(5,380)
Deferred tax assets	4,495	4,110
Net position	(811)	(1,270)

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 are as follows.

	Group 2012 RMB'000	Group 2011 RMB'000
Subsidiary	10,231	8,000

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	
		2012	2011
A.	Numerators: earnings attributable to equity:		
	Continuing operations: attributable to equity holders (RMB'000)	60,015	35,324
B.	Denominators: weighted average number of equity shares		
	Basic and Diluted ('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	
	2012	2011
	RMB'000	RMB'000
Final tax exempt (1-tier) dividend paid of S$0.5 cents (2011: S$0.5 cents) per share	6,185	5,887

In respect of the current year, the directors propose that a final dividend of S$1.0 cent (2011: S$0.5 cents) per share with an estimated total of RMB11,761,000 (2011: RMB6,185,000) 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 2012 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	
	2012	2011
	RMB'000	RMB'000
Audit fees to auditor of the company	367	380
Audit fees to other auditors	210	190
Non-audit fees paid to the auditors of the company	12	11

13. Property, Plant and Equipment

Group	Leasehold property RMB'000	Plant and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:				
At 1 April 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
Additions	35,819	38,699	408	74,926
Disposals	(1,013)	(2,983)	–	(3,996)
Charge against provision for safety expenses	–	–	(1,702)	(1,702)
Foreign exchange adjustments	–	(38)	–	(38)
At 31 March 2012	87,844	201,085	259	289,188
Accumulated depreciation and impairment:				
At 1 April 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
Depreciation for the year	3,001	14,397	–	17,398
Disposals	(251)	(1,055)	–	(1,306)
Foreign exchange adjustments	–	(29)	–	(29)
At 31 March 2012	7,770	47,014	–	54,784
Net book value:				
At 1 April 2010	50,567	134,096	1,177	185,840
At 31 March 2011	48,018	131,706	1,553	181,277
At 31 March 2012	80,074	154,071	259	234,404

13. Property, Plant and Equipment (Continued)

Company	Plant and equipment
	RMB'000
Cost:	
At 1 April 2010	1,078
Foreign exchange adjustments	68
At 31 March 2011	1,146
Additions	24
Foreign exchange adjustments	(38)
At 31 March 2012	1,132
Accumulated depreciation:	
At 1 April 2010	735
Depreciation for the year	63
Foreign exchange adjustments	48
At 31 March 2011	846
Depreciation for the year	67
Foreign exchange adjustments	(29)
At 31 March 2012	884
Net book value:	
At 1 April 2010	343
At 31 March 2011	300
At 31 March 2012	248

Certain equipment of the group and the company are held under finance lease (Note 22A). Certain properties are subject to a charge (Note 22B).

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

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:				
2012	13,907	2,108	1,383	17,398
2011	13,098	1,520	1,373	15,991

14. Intangible Assets

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Licenses	3,182	3,665	–	–
Customer relationships	2,496	2,876	–	–
Total	5,678	6,541	–	–

Group	Licenses	Customer relationships	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 April 2010, 31 March 2011 and 31 March 2012	4,833	3,792	8,625
Accumulated Amortisation:			
At 1 April 2010	685	537	1,222
Amortisation for the year	483	379	862
At 31 March 2011	1,168	916	2,084
Amortisation for the year	483	380	863
At 31 March 2012	1,651	1,296	2,947
Net Book Value:			
At 1 April 2010	4,148	3,255	7,403
At 31 March 2011	3,665	2,876	6,541
At 31 March 2012	3,182	2,496	5,678

15. Other Assets

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current:				
Land use rights (Note 15A)	97,754	53,300	–	–
Subtotal	97,754	53,300	–	–
Current:				
Prepayments	1,326	73	68	73
Advances to suppliers	40,639	29,021	–	–
Advances to staff	2,000	1,208	–	–
Subtotal	43,965	30,302	68	73
	141,719	83,602	68	73

15. Other Assets (Continued)

15A Land Use Rights

	Group RMB'000
Cost:	
At 1 April 2010 and 31 March 2011	55,617
Additions for the year	46,593
At 31 March 2012	102,210
Accumulated amortisation:	
At 1 April 2010	1,356
Amortisation for the year	961
At 31 March 2011	2,317
Amortisation for the year	2,139
At 31 March 2012	4,456
Net book value:	
At 1 April 2010	54,261
At 31 March 2011	53,300
At 31 March 2012	97,754

(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 2012, the group had not obtained the legal title to the few plots of land, except for only two plots of land. The group has estimated the cost of the remaining land use rights without legal title to be approximately RMB 5.5 million, of which only RMB 1.0 million was already paid.

(ii) The group acquired 11 plots of land, i.e. 11 land use rights, from a related party during the current financial year. As at 31 March 2012, the legal title of 6 plots of land have been transferred to the group and the remaining 5 plots of land are currently in the progress of being transferred to the group. As at 31 March 2012, no amount was paid for the 11 land use rights and the total amount owing is included in the other payables (Note 23).

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

15. Other Assets (Continued)

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
Changsheng Village, Fei Town, Fei County, Linyi City	6,023	23 March 2012	19 November 2048
Changsheng Village, Fei Town, Fei County, Linyi City	23,957	23 March 2012	19 December 2030
Changsheng Village, Fei Town, Fei County, Linyi City	26,358	23 March 2012	16 March 2048
Changsheng Village, Fei Town, Fei County, Linyi City	41,624	23 March 2012	7 November 2048
Kele Village, Zhutian Town, Fei County, Linyi City	30,933	23 March 2012	15 December 2030
Kele Village, Zhutian Town, Fei County, Linyi City	13,262	23 March 2012	25 January 2055

16. Investment in Subsidiaries

	Company	
	2012	2011
	RMB'000	RMB'000
Unquoted equity shares at cost	113,143	113,143
Foreign currency translation difference	155	4,032
	113,298	117,175
Net book value of subsidiaries	411,281	367,288
Analysis of above amount denominated in non-functional currency:		
China RMB	411,281	367,288

16. Investment in Subsidiaries (Continued)

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 2012	Cost of the Investment 2011	Percentage of equity held by Group 2012	Percentage of equity held by Group 2011
	RMB'000	RMB'000	%	%
Shandong Yinguang Technology Co., Ltd. People's Republic of China Production and sale of commercial explosive products (a)	113,143	113,143	100	100
Held by Shandong Yinguang Technology Co., Ltd: Hebei Yinguang Chemical Co., Ltd. People's Republic of China Production and sale of ammonium nitrate (a)	10,161	10,161	100	100

(a) For the purpose of preparing the Group's financial statements, the financial statements as at reporting year end were 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. The statutory financial statements for compliance with the laws of PRC were audited by Xinlianyi Certified Public Accountants Co., Ltd, Linyi Office.

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.

17. Inventories

	Group 2012	Group 2011
	RMB'000	RMB'000
Raw materials	34,645	28,952
Work-in-progress	235	502
Finished goods	27,524	17,080
Balance at end of the year	62,404	46,534
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	–	–
Charge to profit or loss included in other charges	(311)	–
Balance at end of the year	(311)	–
Changes in inventories of finished goods and work in progress	(10,177)	3,863
Raw materials and consumables used	280,612	207,509

There are no inventories pledged as security for liabilities.

18. Trade and Other Receivables, Current

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	125,208	122,677	–	–
Less allowance for impairment	(15,734)	(12,020)	–	–
Related party (Note 3)	10,034	4,279	–	–
Sub-total	119,508	114,936	–	–
Other receivables:				
Outside parties	2,017	1,391	–	–
Less allowance for impairment	(168)	(168)	–	–
Tax recoverable	2,911	–	–	–
Subsidiary (Note 3)	–	–	41,828	29,186
Sub-total	4,760	1,223	41,828	29,186
Total trade and other receivables	124,268	116,159	41,828	29,186
Movement in the above allowance – trade receivables				
Balance at beginning of the year	(12,020)	(8,318)	–	–
Credit to profit or loss included in other credits	174	194	–	–
Charge to profit or loss included in other charges	(3,888)	(3,896)	–	–
Balance at end of the year	(15,734)	(12,020)	–	–
Movement in the above allowance – other receivables				
Balance at beginning of the year	(168)	(202)	–	–
Charge to profit or loss included in other charges	–	(38)	–	–
Allowance written-off	–	72	–	–
Balance at end of the year	(168)	(168)	–	–

19. Cash and Cash Equivalents

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Not restricted in use	103,143	101,053	217	712
Interest earning balances	102,926	100,341	–	–

The rate of interest for the cash on interest earning account is 1.0% (2011: 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 2010 and at end of the year 31 March 2011 and 31 March 2012	234,000,000	23,458,985	116,848,607

The ordinary shares of no par value carry no right to fixed income and are fully paid and with one vote per share. 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	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency translation reserve	1,086	1,344	1,241	5,377
Statutory reserve	42,546	37,567	–	–
	43,632	38,911	1,241	5,377

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.

21. Other Reserves (Continued)

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.

22. Other Financial Liabilities

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Finance leases (Note 22A)	7	97	7	97
Current:				
Finance leases (Note 22A)	87	85	87	85
Bank loans I (Note 22B)	14,000	10,000	–	–
Bank loans II (Note 22C)	20,000	15,000	–	–
Third party loan (Note 22D)	9,587	14,430	–	–
Current, total	43,674	39,515	87	85
Total	43,681	39,612	94	182

22A Finance leases

Group and Company	Minimum payments	Finance charges	Present value
	RMB'000	RMB'000	RMB'000
2012			
Minimum lease payments payable:			
Due within 1 year	90	3	87
Due within 2 to 5 years	7	–	7
Total	97	3	94
Net book value of plant and equipment under finance leases			230
2011			
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

22. Other Financial Liabilities (Continued)

22A Finance leases (Continued)

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 2012, the average effective borrowing rate is 6.61% (2011: 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.

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 17.1 million (2011: RMB 10.7 million) and a corporate guarantee from a company which a director has substantial interest.

They bear fixed interest and have maturity dates as follows:

	Loan Principal (RMB'000)	Interest rate (%)	Maturity dates
2012:			
	10,000	8.2030	25 April 2012
	4,000	8.2030	22 September 2012
	14,000		
2011:			
	7,000	6.9030	13 April 2011
	2,000	6.9030	21 June 2011
	1,000	6.9030	29 April 2011
	10,000		

22C Bank Loans II

The short-term bank loans of RMB20 million (2011: RMB15 million) are secured by a corporate guarantee from a related party. They bear fixed interest rates at 7.872% (2011: 6.1065%) per annum and mature on 7 November 2012.

22D Third Party Loan

This loan represents amount due to the previous owner of a subsidiary, Hebei Yinguang Chemical Co., Ltd prior to the acquisition by Shandong Yinguang Chemical Group Co., Ltd., a related party. It includes an amount of RMB1.6 million (2011: RMB3.1 million) which bears fixed interest at 12% per annum. The remaining balance is interest-free. These loans have no fixed term of repayment.

23. Trade and Other Payables, Current

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Outside parties and accrued liabilities	40,333	42,608	5,692	4,469
Provision for safety expenses	7,191	9,254	–	–
Bills payable	16,000	15,000	–	–
Related parties (Note 3)	2,597	2,052	–	–
VAT payables	1,484	3,865	–	–
Subtotal	67,605	72,779	5,692	4,469
Other payables:				
Related parties (Note 3) [(a)]	89,557	921	–	–
Payable for land use rights (Note 15A)	21,547	21,547	–	–
Outside parties	4,369	6,896	148	118
Subtotal	115,473	29,364	148	118
Total trade and other payables	183,078	102,143	5,840	4,587

(a) Included in amounts due to related parties is an amount of RMB89,253,000 for the purchase of land use rights and property, plant and equipment from a related party during the year. The amount is unsecured, interest-free and is repayable in 2012 after the completion of the transfer of the land use rights legal titles.

Movement in the provision for safety expenses

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for safety expenses				
Balance at beginning of the year	9,254	9,443	–	–
Provision for the year	6,585	5,924	–	–
Utilisation during the year	(8,648)	(6,113)	–	–
Balance at end of the year	7,191	9,254	–	–

24. Other Liabilities, Current

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	2,659	2,239	–	–

25. Financial Instruments: Information on Financial Risks

25A. Carrying Amount of Financial Assets and Liabilities

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

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Cash and cash equivalents	103,143	101,053	217	712
Loans and receivables	121,357	116,159	41,828	29,186
At end of the year	224,500	217,212	42,045	29,898
Financial liabilities:				
Borrowings at amortised cost	43,681	39,612	94	182
Trade and other payables at amortised cost	183,078	102,143	5,840	4,587
At end of the year	226,759	141,755	5,934	4,769

Further quantitative disclosures are included throughout these financial statements.

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

25B. Financial Risk Management

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

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

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

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

25C. Fair Values of Financial Instruments

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

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

25D. Credit Risk on Financial Assets

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

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 (2011: 90 days) and to overseas customers is about 150 days (2011: 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	
	2012	2011
	RMB'000	RMB'000
Trade receivables:		
91 - 180 days	15,475	28,727
181 days to 1 year	5,039	5,540
Over 1 year	4,241	7,998
Total	24,755	42,265

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

	Group	
	2012	2011
	RMB'000	RMB'000
Trade receivables:		
Current	–	742
91 days to 180 days	–	85
181 days to 1 year	–	704
Over 1 year	15,734	10,489
Total	15,734	12,020

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

25D. Credit Risk on Financial Assets (Cont'd)

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

The allowance which is disclosed in the Note 18 on trade receivables is based on individual accounts totalling RMB15,734,000 (2011: RMB12,020,000) that are determined to be impaired at end of the 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:

	2012	2011
	RMB'000	RMB'000
Group:		
Top 1 customer	13,863	15,564
Top 2 customers	21,400	22,425
Top 3 customers	27,993	28,781

25E. 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:			
2012:			
Gross borrowings commitments	44,962	–	44,962
Gross finance lease obligations	90	7	97
Trade and other payables	183,078	–	183,078
At end of the year	228,130	7	228,137
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

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

25E. Liquidity Risk (Cont'd)

Company	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
2012:			
Gross finance lease obligations	90	7	97
Trade and other payables	5,840	–	5,840
At end of the year	5,930	7	5,937
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

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 (2011: 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.

25F. Interest Rate Risk

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

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Floating rates	102,926	100,341	–	–
At end of the year	102,926	100,341	–	–
Financial liabilities:				
Fixed rates	35,694	28,233	94	182
At end of the year	35,694	28,233	94	182

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

25F. Interest Rate Risk (Cont'd)

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.

25G. Foreign Currency Risks

Analysis of amount denominated in non-functional currency:

Company	China RMB
	RMB'000
Financial assets:	
2012:	
Loans and receivables	41,828
2011:	
Loans and receivables	29,186

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

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

26. Capital Commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	2012	2011
	RMB'000	RMB'000
Commitments to purchase of plant and equipment	8,451	–

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	
	2012	2011
	RMB'000	RMB'000
Not later than one year	313	324
Later than one year and not later than five years	339	27
Rental expense for the year	2,318	8,315

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.

28. Changes and Adoption of Financial Reporting Standards

For the reporting year ended 31 March 2012 the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements Disclosures (Amendments)
FRS 24	Related Party Disclosures (revised)
FRS 27	Consolidated and Separate Financial Statements (Amendments)
FRS 32	Classification Of Rights Issues (Amendments)
FRS 34	Interim Financial Reporting (Amendments)
FRS 103	Business Combinations (Amendments) (*)
FRS 107	Financial Instruments: Disclosures (Amendments)
FRS 107	Financial Instruments: Disclosures (Amendments) - Transfers of Financial Assets (*)
INT FRS 113	Customer Loyalty Programmes (Amendments) (*)
INT FRS 114	Prepayments of a Minimum Funding Requirement (revised) (*)
INT FRS 115	Agreements for the Construction of Real Estate (*)
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments (*)

(*) Not relevant to the entity.

29. 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	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 Jul 2012
FRS 12	Deferred Tax (Amendments) – Recovery of Underlying Assets (*)	1 Jan 2012
FRS 19	Employee Benefits	1 Jan 2013
FRS 27	Consolidated and Separate Financial Statements (Amendments)	1 Jul 2011
FRS 27	Separate Financial Statements	1 Jan 2013
FRS 28	Investments in Associates and Joint Ventures (*)	1 Jan 2013
FRS 107	Financial Instruments: Disclosures (Amendments) - Transfers of Financial Assets (*)	1 Jul 2011
FRS 110	Consolidated Financial Statements	1 Jan 2013
FRS 111	Joint Arrangements (*)	1 Jan 2013
FRS 112	Disclosure of Interests in Other Entities	1 Jan 2013
FRS 113	Fair Value Measurements	1 Jan 2013

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

As at 18 June 2012

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	528	51.06	3,466,000	1.48
10,001 - 1,000,000	492	47.58	31,113,000	13.30
1,000,001 AND ABOVE	14	1.36	199,421,000	85.22
TOTAL	**1,034**	**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	RAFFLES NOMINEES (PTE) LTD	4,853,000	2.07
7	BAO HONGWEI	4,788,000	2.05
8	TAN GEOK BEE	4,231,000	1.81
9	PHILLIP SECURITIES PTE LTD	1,986,000	0.85
10	CHUA SEK HOW	1,407,000	0.60
11	HL BANK NOMINEES (S) PTE LTD	1,200,000	0.51
12	NGIAN PIN CHRISTINA	1,126,000	0.48
13	JOHN TULLIS BLAIR	1,063,000	0.45
14	SIMSONS PTE LTD	1,062,000	0.45
15	CIMB SECURITIES (SINGAPORE) PTE LTD	918,000	0.39
16	LEOW KIM HOW	861,000	0.37
17	OCBC SECURITIES PRIVATE LTD	820,000	0.35
18	UOB KAY HIAN PTE LTD	805,000	0.34
19	HONG LEONG FINANCE NOMINEES PTE LTD	800,000	0.34
20	HONG PIAN TEE	722,000	0.31
	TOTAL	204,347,000	87.32

STATISTICS OF SHAREHOLDINGS

As at 18 June 2012

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 18 June 2012.

	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 18 June 2012, 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 Friday, 27 July 2012 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 2012 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$0.010 per ordinary share for the financial year ended 31 March 2012. **Resolution 2**

3. To approve the payment of Directors' Fees of S$336,000 for the financial year ended 31 March 2012 (2011: S$309,400). **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. Wee Phui Gam who is retiring under Article 107 of the Company's Articles of Association. **Resolution 5**

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

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

7. To re-elect Mr. Frankie Manuel Micallef 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, 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

10 July 2012

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 80 Robinson Road, #02-00, Singapore 068898 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 27th day of July, 2012 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 2012.		
2.	To declare a first and final tax exempt one-tier dividend of S$0.010 per ordinary share for the financial year ended 31 March 2012.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 March 2012.		
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. Wee Phui Gam as a Director under Article 107.		
6.	To re-elect Mr. Bao Hongwei as a Director under Artcle 107.		
7.	To re-elect Mr. Frankie Manuel Micallef 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 ____________ 2012.

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 80 Robinson Road, #02-00, Singapore 068898 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/ General Manager
Peter Neville Hogan Non-Executive Director
Frankie Manuel Micallef 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
80 Robinson Road
#02-00
Singapore 068898
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

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