FABCHEM CHINA LIMITED

SHAPING GROWTH BEYOND TODAY

ANNUAL REPORT 2013

Shaping growth with calibration, focus and foresight. At Fabchem, we adopt the same values in practice as the Group continue to achieve key organic milestones in FY2013.

As we take these steps forward, we remain proactive on an operational level to improve our productivity and cost-management efficiency.

With a vision of creating long-term sustainable returns to our stakeholders, we will continue to strengthen the Group's competitive advantages and augment our position as a preferred and reliable commercial explosives manufacturer in Asia.

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ABOUT US

As the only China-based commercial explosives manufacturer with a listing status overseas, Fabchem China Limited ("Fabchem") has been established in Shandong, China since 1979, and listed on the Mainboard of Singapore Exchange Securities Trading Limited in April 2006. As one of China's leading manufacturers of initiation systems and the largest boosters and detonating cords producer within a highly regulated industry, 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, while 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.

2013 HIGHLIGHTS

Increased in sales to Australia by RMB 30.9 million or 46.0%, in particular sales to Orica Australia increased by RMB 21.6 million or 59.3%

Net asset value per share increased to RMB 196.75 cents or S$0.39 per share

Stronger balance sheet with cash position of RMB 120.0 million and low gearing

Construction of additional detonating cords facilities has been on track and trial productions commenced in April 2013






A STRONGER FABCHEM BECKONS

STRATEGIC GROWTH INITIATIVES IN MEASURED STEPS

1. With the additional production facilities, our annual production capacity of detonating cords will be boosted from 50 million meters to 80 million meters. Furthermore, more automation technologies will yield higher production efficiencies, enhanced safety working conditions and better economies of scale.

2. Boosters production facilities are undergoing upgrading works to significantly enhance the automation process to improve product quality, efficiencies and safety standards.

LETTER TO SHAREHOLDERS

Mr. Sun Bowen

Dr. Lim Seck Yeow

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Fabchem China Limited ("Fabchem" or "the Group") for the financial year ended 31 March 2013 ("FY2013").

FY2013 has been a challenging year for the Group as the slowdown in China's economy led to lower energy demand. Coal, being China's primary energy source, was directly affected and that has resulted in reduced mining activities. As our commercial explosive products are mainly used in mining activities in China, our financial performance was dampened by softening market conditions in China, particularly in the ammonium nitrate business.

Nonetheless, leveraging our established strengths in this highly regulated industry and our prudent financial approach, the Group continued to remain resilient and vigorous in light of these macro-economic challenges.

Amid such challenging market conditions, a few bright spots emerged over the past 12 months:

- Overseas markets grew 39.0% year-on-year
- Net cash generated from operating activities increased 326.3% to approximately RMB 137.3 million.
- Stronger balance sheet with cash position of RMB 120.0 million and low gearing
- Net asset value per share increased to RMB 196.75 cents or S$0.39 per share

With growing recognition of our quality and cost-efficient products, overseas demand for Fabchem's boosters increased progressively. Particularly, sales to Australia increased by 46.0% in FY2013 as Orica Australia, the world's largest commercial explosives manufacturer, increased their purchase. Overall, revenue contribution from overseas markets increased to 28.0% of the Group's revenue in FY2013.

In addition, the Group's emphasis on a low-risk balance sheet has further strengthened our operating cash flow and liquidity position, and that is instrumental in shaping the long-term growth of our highly specialised business beyond today.

While the Group has navigated through various business cycles for more than 30 years, we will continue to remain vigilant amid the slowdown of China's economy and the long-drawn Eurozone crisis.

PROPOSED DIVIDEND OF S$0.007 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$0.007 per share for FY2013, which represents a dividend payout ratio of approximately 26.3%.

This proposed dividend payout is subject to the approval by shareholders in the forthcoming Annual General Meeting.

REVIEW OF OUR FINANCIAL PERFORMANCE

Looking back on FY2013, the revenue of the Group's product groups of (a) explosive devices and (b) industrial fuse and initiating explosive devices grew 25.8% and 10.7% respectively, while industrial detonators declined marginally by 1.8% during FY2013.

However, with weakening market conditions and softening market-driven selling prices in ammonium nitrate, the Group's sales of this product segment declined significantly. Comparatively, market-driven selling prices and sales volume of ammonium nitrate decreased by approximately 24.3% and 18.8% respectively year-on-year.

On a geographical basis, growth in overseas markets continued to outperform the domestic market during FY2013 as revenue from overseas markets registered another year of double-digit growth of 39.0% to RMB 137.0 million. Most of our overseas sales are on an original equipment manufacturer ("OEM") basis, where we provide OEM products to global renowned

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commercial explosives players, such as Orica Limited and Dyno Nobel Group.

Overall, revenue stood at RMB 498.1 million in FY2013.

While the Group has achieved encouraging results from its continual focus on production efficiency initiatives, the weakening market conditions and softening market-driven selling prices in ammonium nitrate has significantly impacted the Group's sales of this product segment, which has been a key contributor to the Group's revenue mix over the past three years.

In addition, the Group has encountered a rise in raw materials prices (such as PETN and RDX) over the last few financial years, and it is expected that this trend may continue in the coming financial year.

As a result, overall gross profit margin dipped approximately 3.7 percentage points to 27.3% in FY2013, translating to a gross profit of RMB 133.5 million for FY2013.

In line with the lower revenue recorded in FY2013, operating expenses also decreased, of which distribution costs decreased by approximately RMB 1.5 million or 4.8% to RMB 30.2 million in FY2013 from RMB 31.7 million in FY2012. At the same time, administrative expenses decreased by approximately RMB 2.3 million or 4.9% to RMB 43.7 million in FY2013 from RMB 45.9 million in FY2012.

As a measure of gross earnings from operations, EBITDA dipped 22.6% to RMB 80.2 million from RMB 103.6 million in FY2012.

On the profit attributable to shareholders, an additional tax charge of RMB 5.6 million (due to underprovision of income tax for the previous financial year) further weighed down the profitability of the Group and as a result, profit attributable to shareholders stood at RMB 31.5 million in FY2013.

REVIEW OF OUR FINANCIAL POSITION

A key tenet of our business stability, Fabchem has consistently adopted a conservative financial management approach and this is a testament of the Group's strengthening balance sheet.

Total assets increased to RMB 700.9 million as at 31 March 2013, of which cash and cash equivalent stood at RMB 120.0 million.

Shareholders' equity stood at RMB 460.4 million, up 4.5% or RMB 20.0 million higher than 31 March 2012. Net asset value per share increased to RMB 196.75 cents, up 4.5% or RMB 8.54 cents from 31 March 2012.

At the end of March 2013, the Group also recorded RMB 240.5 million in total liabilities, of which the major portion was attributable to trade and other payables of RMB 133.8 million and other financial liabilities of RMB 96.3 million. Financial liabilities increased by RMB 52.6 million mainly due to the increase in bank borrowings for the acquisition of land and buildings subsequent to the approval obtained from shareholders in July 2011.

CASH FLOW HIGHLIGHTS

For the financial year ended 31 March 2013, the Group recorded net cash generated from operating activities of approximately RMB 137.3 million, net cash used in investing activities of approximately RMB 158.1 million and net cash from financing activities of approximately RMB 37.7 million.

The net cash generated from operating activities is mainly due to an improved management in trade and other receivables collection from customers, decrease in prepayment for bulk purchase of raw materials and improved payments to creditors.

The net cash used in investing activities of approximately RMB 158.1 million is mainly due to the partial payment of RMB 87.3 million for the purchase of property, plant and equipment and land use rights subsequent to the shareholders' approval obtained during the EGM held on 28 July 2011 and also the acquisition of property, plant and equipment for boosters, detonating cords and ammonium nitrate expansion/upgrading projects.

The net cash from financing activities of approximately RMB 37.7 million is mainly due to the proceeds from bank borrowings of RMB 98.0 million, partially offset by the payment of dividends of approximately RMB 11.8 million, repayment of borrowings of approximately RMB 45.3 million and payment of interest expenses of approximately RMB 3.1 million.

Adopting a systematic cash flow management approach, the Group's financial strength and flexibility remained top priorities on the list of our strategic advantages. The Board's dividend proposal of S$0.007 per share further reinforces confidence in our operative cash flow management approach.

SHAPING GROWTH BEYOND TODAY

To boost the overall safety standard and efficiency of the market, the relevant Chinese authorities have ceased issuing new explosive production licences to new companies since 2006. At the same time, it is also strongly encouraging the consolidation of Chinese explosives manufacturers. As a result, domestic market participants have decreased substantially to less than 200 companies.

Nevertheless, Fabchem, as an established leading manufacturer of initiation systems and the largest boosters and detonating cords producer in China, has received strong support and fruitful cooperation by the Chinese authorities in our new organic growth initiatives as follows:

Completion of the Acquisition of the Group's Manufacturing Facilities and Warehouses at Fei County, Linyi City, Shandong Province, China

Subsequent to the shareholders' approval obtained during the Extraordinary General Meeting held on 28 July 2011, the Group has completed the above-mentioned acquisition and as at 31 March 2013, the Group has an outstanding payment of RMB 2.0 million, which shall be paid to the Vendor, as and when the bank loan is received, in accordance with the Agreement.

Additional Detonating Cords Production Have Started Trial Operations

Following our previous announcements, the Group's additional detonating cords production facilities have started trial operations in April 2013 and we are awaiting for the relevant authorities to perform their respective inspection and subsequent approval for the new production facilities to commence commercial production.

The newly-added production facilities will increase the Group's detonating cords production capacity from 50 million meters per year to 80 million meters per year. Currently, the existing production facilities are operating at near-full capacity.

Upgrading of Existing Boosters Production Facilities

Separately, the Group has previously announced that our boosters production facilities will be undergoing upgrading works to significantly enhance the automation process to improve product quality, efficiencies and safety standards.

While the Group's first batch of upgraded boosters production line is currently under testing and trial run, due to some technological and design modification, the completion date for the entire upgrading of the boosters facilities will be delayed to 31 August 2015, instead of the originally announced 31 March 2014. Total capital expenditure for the upgrading works is estimated at approximately RMB 39.5 million and it will be funded using the Group's internally generated funds.

Expansion of Ammonium Nitrate Production Capacity

Following the announcement late last year, as part of Fabchem's organic growth strategy in this highly regulated industry, the Group plans to build additional production capacity at our existing ammonium nitrate production facilities at Hebei Province (North China region).

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With an expected capital investment of RMB 30.0 million, which will be financed mainly by internal financial resources, the new production facility will add 60,000 tons to the current production capacity of 70,000 tons of ammonium nitrate, thereby increasing the production volume by 85% to 130,000 tons. While the construction is underway, we will continue to monitor this initative closely given the softening market conditions for ammonium nitrate.

Incorporating more automation technologies within the new production facilities (i.e. detonating cords, boosters and ammonium nitrate), it will improve production processes, reduce manpower resources and generate higher economies of scale.

Strategic Partnership with Dyno Nobel Group

The commercial explosives industry in China is very heavily regulated with restricted foreign involvement. As the only China-domiciled manufacturer listed outside of China, Fabchem has the additional flexibility to strengthen our 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.

Positioning Fabchem as a stronger leader in our various product segments, we have set out to organically develop a diversified product portfolio, which we continue to grow with measured steps. These initiatives will be vital growth drivers as we shall steer ahead steadily to enhance long-term stakeholder value.

CONCLUSION

While the long-term trends of our underlying markets remain promising, the near-term growth challenges of our business environment have affected our financial performance in FY2013.

To mitigate our operating risks and deliver a stronger set of business performance, the Group has implemented structural improvements in our operations, highlighted in the previous pages, to further enhance our operational and cost efficiencies. At the same time, the Group will continue to work closely with new and existing customers, align our product segments with their growth initiatives and enhance our value propositions to their requirements.

As our operating markets continue to experience volatility in the near term, we continue to adopt a cautious outlook for FY2014.

IN RECOGNITION AND APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and gratitude to fellow Board Members for their counsel and guidance and to all our valued customers, suppliers, business associates, business partners and shareholders for their continued support.

To the management team and all our employees, thank you for your commitment, professionalism, dedication and collective contribution to the hard-earned progress that we have achieved at Fabchem.

While the Group has finished the financial year lower than expected, we are confident that the Group is on the right path in developing the strategic initiatives for future growth in this highly regulated and specialised industry.

Thank You!

主席致辞

尊敬的股东

我谨代表董事会，欣然呈上中国杰化有限公司（“中国杰化”或“本集团”）截至2013年3月31日（“2013财政年”）的年度报告以及审计财务报告。

2013财政年对于本集团来说充满了挑战。中国经济放缓导致能源需求下降，而煤炭作为中国主要的能源来源，直接受到冲击，以致煤炭的勘探和开采活动相对锐减。作为民爆器材的生产商，我们的客户主要在中国从事勘探和开采活动，而这间接地影响了我们的财政业绩，尤其是硝酸铵领域的业务。

尽管如此，借助我们在此高度管制的领域所建造的稳固基础，加上我们谨慎的财务规划，本集团依然能够在这么具挑战性的宏观经济环境中保持韧性和活力。

在这样具挑战性的市场条件下，在过去12个月，我们依然创造了几个亮点：

- 海外市场的销售同去年同期相比增长39.0%。
- 经营活动所产生的净现金增长326.3%，达到约1亿3730万元人民币。
- 强劲的资产负债表、货币资金为1亿2000万元人民币、低负债率。
- 每股净资产价值增长至196.75分人民币或每股0.39新元。

随着我们的产品质量和成本效益的认知度逐渐提升，中国杰化中继起爆具的海外需求逐年增加，尤其是全球最大的民爆器材公司Orica Australia提高了对我们的产品的采购，推动了澳大利亚的销售业绩在2013财政年增长46.0%。整体来说，来自海外市场的营业额提升至占本集团总营业额的28.0%。

此外，本集团所采取的低风险资产负债表原则，也进一步加强了我们的经营现金流动量以及流动资金情况，而这对于扩大我们在高度专业化领域的长期发展扮演着举足轻重的角色。

虽然本集团在过去30多年经历了许多的经济环境，在面对中国经济放缓以及挥之不去的欧债危机，我们依然保持着高度警惕的态度。

建议派发每股普通股0.007新元股息

为了感谢股东对本集团的支持，并依据我们须派发给股东至少10%的年度净盈利的股息政策，董事会已经建议在2013财政年派发每股0.007新元的股息，股息派发比率约26.3%。此建议派发的股息将有待在来临的年度股东大会上进行表决通过。

业绩回顾

回首2013财政年，本集团的产品中，来自(a)中继起爆具，震源药柱以及(b)工业导爆索，导爆管的营业额分别增长了25.8%以及10.7%，而来自工业导爆管雷管的营业额则微跌了1.8%。

不过，随着疲弱的市场情况以及硝酸铵的价格在低迷市场的驱动以至下滑的情况下，本集团在此产品领域的销售严重受到冲击。因此，硝酸铵的价格以及销量同上财政年相比，分别下降约24.3%以及18.8%。

以国内外市场来看，海外市场的增长势头在2013财政年持续超越国内市场。来自海外市场的营业额继续报捷，取得39.0%的增长，达1亿3700万元人民币。我们的海外市场主要是以原装设备生产商（OEM）的形式，将OEM产品外销给全球著名的民爆器公司，如Orica Limited 以及 Dyno Nobel Group。

整体而言，总营业额在2013财政年达到4亿9810万元人民币。

虽然本集团通过持续着重于提高生产效益的措施取得令人满意的成果，但面对疲弱的市场情况以及低迷市场驱动硝酸铵价格 下降的局面，本集团过去3年的主要营业额来源硝酸铵的销量受到严重打击。

另外，本集团在过去几个财政年度里也面对原材料（如PETN以及RDX）价格的上升压力，而预计这个趋势在来临的财政年里还会依然持续。

因此，本集团的总毛利率下滑约3.7百分点，达27.3%，并在2013财政年里取得1亿3350万元人民币的毛利。

随着2013财政年的营业额下降，经营费用也同时下降，主要因为2013财政年的销售费用同2012财政年的3170万元人民币相比下降了4.8%或150万元人民币，达约3020

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万元人民币。2013财政年的管理费用同2012财政年的4590万元人民币相比也下降约230万元人民币或4.9%，达到4370万元人民币。

在体现经营效益方面，税息折旧及摊销前利润（EBITDA）同2012财政年的1亿360万元人民币相比下降22.6%至8020万元人民币。

由于上个财政年前财政年度的所得税提备过低，我们需扣除一笔560万元人民币的额外税收，以致2013财政年的股东应占净利下降到3150万元人民币。

资产负债表的分析

在中国杰化，我们能够保持业务的稳定性，有赖于我们坚持采用保守财务管理模式为引导原则，而这能够从本集团逐渐强化的资产负债表中体现。

在2013财政年中，总资产增长至7亿90万元人民币，其中现金与现金等价物为1亿2000万元人民币。

股东权益为4亿6040万元人民币，同2012财政年相比上升了4.5%或2000万元人民币。每股的净资产价值也同2012财政年相比，上升4.5%或8.54分人民币，达196.75分人民币。

截至2013年3月31日，本集团的总负债为2亿4050万元人民币，主要由应付及其他应付款项的1亿3380万元人民币以及9630万元人民币的其他财务负债组成。财务负债提升了5260万元人民币，主要因为在2011年7月获得了股东批准后，用于收购土地以及房产的银行贷款有所提升所导致的。

现金流动量摘要

截至财政年2013年3月31日，本集团的经营活动所产生的净现金量达约1亿3730万元人民币，而投资活动所使用的净现金为约1亿5810万元人民币，而融资活动所获得的净现金为约3770万元人民币。

由经营活动所产生的净现金，主要是因为加强了应收账款和其他应收款项的管理、预付购买大量原材料的款项以及局部偿还债主的款项有所下跌所致。

用于投资活动所使用的约1亿5810万元人民币净现金主要用于部分支付在2011年7月28日举行的特别股东大会上通过的8730万元人民币购买房产以及土地使用权，以及为中继起爆具、工业导爆索和硝酸铵的扩大与提升工程购买设备，建设房产。

用于融资活动所获得的约3770万元人民币净现金主要来自9800万元人民币的银行贷款，并由支付股息的约1180万元人民币、偿还约4530万元人民币的贷款以及约310万元人民币的利息支出而部分被抵消。

采用一个系统化的现金流量管理策略，本集团的财务能力以及灵活性是我们战略性优势的最重要一环。董事会的每股0.007新元的股息派发建议将进一步巩固我们营运现金流量管理策略的信心。

强化增长，巩固未来

为了加强市场的整体安全标准和效率，相关的中国政府部门已在2006年停止颁发新的民爆器材生产执照给新的公司。同时，相关部门也积极鼓励现有的中国民爆器材企业合并重组，以致内地市场从业者的数量下降至少于200家。

尽管如此，中国杰化作为一家具规模的民爆器材生产商以及中国最大的中继起爆具与工业导爆索的生产商，本集团在以下的新发展项目中获得中方机构大力的支持以及有成果的合作。

完成本集团在中国山东省临沂市费县的土地以及房产的收购

在2011年7月28日的特别股东大会上获得股东的批准后，本集团已在2013财政年度完成了上述的收购。截至2013年3月31日，本集团还欠卖方200万元人民币。本集团因此需依据协议，在收到银行贷款时支付200万元人民币的余额给卖方。

新的工业导爆索生产线已投入试生产阶段

本集团早前宣布，本集团新的工业导爆索生产设施已经在2013年4月投入试生产运作，并等待相关部门进行所需的勘查，以获准新生产设施能够正式投入商业生产。

新添加的生产设施将提升本集团的工业导爆索生产量，每年可从原本的5000万米产量增加到8000万米。目前，现有的生产设施已近乎达到全产能的运作。

技术改造现有中继起爆具的生产设施

另外，本集团早前也宣布，我们将进行现有中继起爆具生产设施的技术改造工程，以大大提高自动化流程，并加强产品的质量、效率以及安全标准。

本集团的首批中继起爆具生产线因为一些技术和设计改良的事宜，目前还在进行试验以致整体中继起爆具生产设施的完成日不能如期在2014年3月31日完成，而需延期至2015年8月31日。总技术改造工程的资金预算预计将达到约3950万元人民币，并将由本集团的内部资金承担。

硝胺酸的产能扩大

本集团也曾在去年宣布，作为中国杰化在此高度管制行业中有机发展策略的一部分，本集团计划在河北省现有的硝胺酸生产设施提高额外产能。

预计耗资3000万元人民币的总投资将由内部财务资源支付，而这个新生产设施将能在现有的7万吨产能上再提升6万吨的产量，达到13万吨的产能。在这个新产设施还在建设时，我们会继续密切关注这疲弱硝酸铵市场的走势。

增加这些新的高自动化项目（如工业导爆索，中继起爆具，硝酸铵），将改善我们的生产过程、减低人力资源以及获得更高的规模经济效益。

与Dyno Nobel集团的战略性合作

中国的民爆器材工业因为受到高度管制，所以限制海外公司的参与。作为唯一一家在中国以外上市的中国本土生产企业，中国杰化拥有额外的灵活性来加强与战略性股东所建立的战略性合作关系。

Incitec Pivot有限公司的其子公司、也是全球第二大民爆器材公司Dyno Nobel，持有中国杰化29.9%的战略性股份。通过紧密合作，分享珍贵的市场信息以及相互帮忙，以达到互惠互利的效果，扩大两家公司的销售市场、产品质量以及生产力。

为了让中国杰化成为其产品领域的领导者，我们已逐步计划开发一个更多元化的产品选择。这些措施将是重要的增长引擎，并将推动我们稳健地为我们的合作伙伴取得更高的价值。

结束语

虽然我们对市场的长期发展势头依然保持乐观，但近期出现的挑战仍然影响了我们在2013财政年的业绩表现。

为了减轻我们的经营风险，并取得更好的业绩表现，本集团已在运作上实施了框架改革，以进一步加强我们的营运和成本效益。同时，本集团也将继续同现有的客户紧密合作，并寻找新客户，以找出符合他们要求的产品，提高我们能够给予的价值。

随着我们的营运市场在短期内将继续经历波动，我们对于2014财政年的展望将继续采取谨慎的态度。

鸣谢

我谨代表董事会，向董事同仁所给予的建议和指导表达最深的感激。我也在此感谢我们的客户、供应商、生意伙伴以及股东们所不断给予的支持。

对于我们的管理层和全体员工，你们所付出的努力、所呈现的热忱和专业态度无疑对本集团是很大的贡献，并让中国杰化取得今天的成就。

虽然本集团在此财政年的表现不如预期，但我们有信心，本集团正在向着正确的方向迈进，在此受到高度管制以及特殊行业中所实施的战略性措施，必将能够为本集团取得更好的成绩。

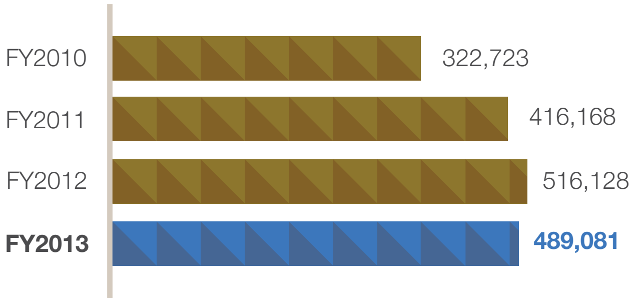
谢谢！

FINANCIAL HIGHLIGHTS

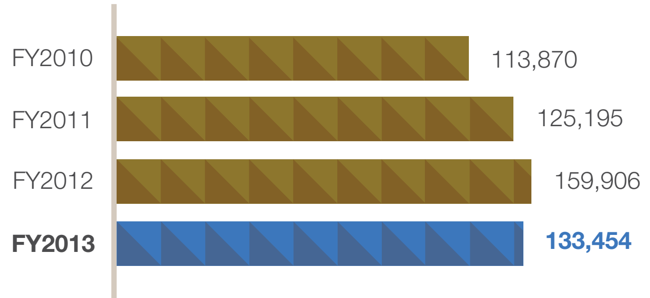
FINANCIAL YEAR-END MARCH	FY2010 RMB'000	FY2011 RMB'000	FY2012 RMB'000	FY2013 RMB'000
REVENUE BY PRODUCT SEGMENTS				
Explosive Devices	83,756	95,887	131,160	165,541
Industrial Fuse and Initiating Explosive Devices	97,259	101,648	95,392	105,576
Industrial Detonators	65,437	73,749	87,406	85,802
Ammonium Nitrate	75,321	144,430	201,293	131,102
Others	950	454	427	1,060
OPERATING RESULTS				
Revenue	322,723	416,168	516,128	489,081
Gross Profit	113,870	125,195	159,906	133,454
Profit before Income Tax	58,370	55,672	82,407	56,152
Profit Attributable to Shareholders	47,213	35,324	60,015	31,508
EBITDA*	76,055	74,164	103,645	80,244
Balance Sheet				
Non-Current Assets	251,131	245,228	342,331	386,493
Current Assets	281,795	294,048	333,780	314,414
Current Liabilities	170,341	146,965	230,392	235,374
Non-Current Liabilities	6,081	5,477	5,313	5,144
Shareholders' Equity	356,504	386,834	440,406	460,389
CASH FLOW				
Net Cash From Operating Activities	56,618	17,349	32,221	137,309
Net Cash Used in Investing Activities	(53,142)	(10,920)	(25,080)	(158,144)
Net Cash (Used In)/From Financing Activities	(8,842)	(12,631)	(5,041)	37,703

*Earnings before Interest, Tax, Depreciation and Amortisation

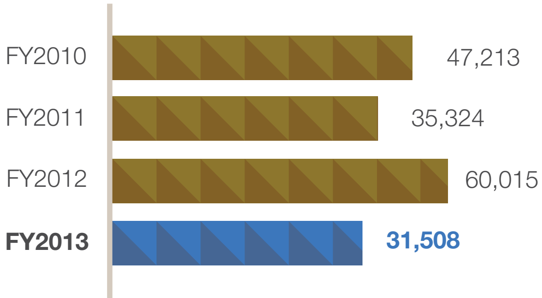
REVENUE
(RMB'000)



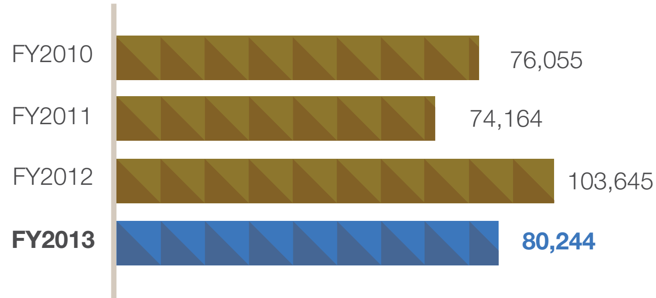
GROSS PROFIT
(RMB'000)



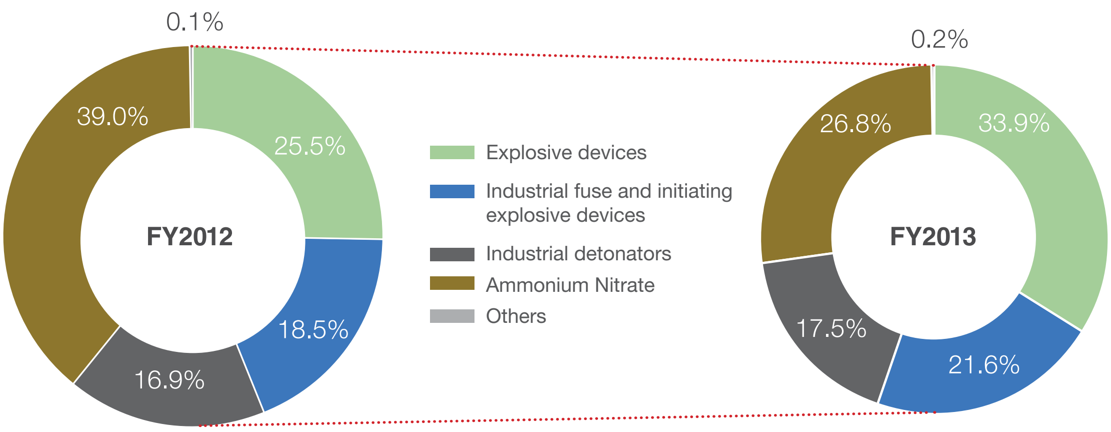
PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(RMB'000)



EBITDA
(RMB'000)



REVENUE BY PRODUCT SEGMENTS



ENHANCING OUR REACH

As we continue to position ourselves towards the needs of the domestic market, our foray beyond China continues to generate higher returns. The growing recognition and confidence in our products strengthens the foundations for a gateway to target more foreign markets.

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.


Kazakhstan
Mongolia
Kyrgyzstan
Japan
Pakistan
China
India
Singapore
Indonesia
South Africa
Australia

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, and is President of 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. Frankie Manuel Micallef holds a Bachelor of Business Degree (Accounting) from the Royal Melbourne Institute of Technology, a Master of Accounting Degree from the University of New England and is a Fellow of the CPA Australia, the Australian Institute of Company Directors and the Finance and Treasurers' Association.

Ong Tai Tiong Desmond
Independent Director

Ong Tai Tiong Desmond is our Independent Director and was appointed on 17 February 2006. Mr Ong has been practicing with Solitaire LLP since March 2013. Mr Ong is also an independent director of China Powerplus Limited as well as a director of Singapore Dance Theatre Ltd. Prior to his current appointment, he was the Managing Director of Eversheds LLP Singapore. 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 since 1984. P G Wee & Partners was converted to P G Wee Partnership LLP ("P G Wee") in January 2013. 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 LLP (formerly known as BDO International), Singapore, an international audit firm. Mr Kwek obtained a Diploma with Merit in Accountancy in June 1998. He is a Certified Public Accountant in Singapore and fellow member of the Association of Chartered Certified Accountants in UK.

Chen Hongyu
Finance Manager (China Operations)

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

Yang Xingdong
Administrative Manager

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Lim Seck Yeow	Non-Executive Chairman
Sun Bowen	Managing Director
Bao Hongwei	Executive Director/ 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
2 Bukit Merah Central
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Tel: (65) 6236 3333
Fax: (65) 6236 4399

COMPANY REGISTRATION NUMBER
200413128G

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#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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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 thirteen 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, equipments 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.

SAFETY AND SECURITY COMPLIANCE

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 any magnitude at our production facilities or during the transportation of the raw materials or our products since we commenced our operations. Our Directors believe that based on the safety measures currently undertaken by our Group, the possibility of any explosions occurring at our production facilities or during the transportation of raw materials or our products have been kept to the minimum.

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

a) MIIT conducts random inspection on our factory and warehouse safety procedures every year.

b) Fei County Economic & Information Technology Bureau (费县经信局) organizes 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 2013, we had a security team comprising 142 guards.

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

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

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

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

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

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

The Board of Directors (the "Board") of Fabchem China Limited 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	3	–	–	–	–	–	–
Bao Hongwei	4	4	–	–	–	–	–	–
Peter Neville Hogan	4	4	–	–	–	–	–	–
Ong Tai Tiong Desmond	4	4	4	4	1	1	1	1
Wee Phui Gam	4	4	4	4	1	1	1	1
Jiang Rongguang	4	4	–	–	–	–	–	–
Frankie Manuel Micallef	4	4	–	–	–	–	–	–

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

Principle 9: Disclosure on Remuneration

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

Remuneration of Directors

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

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

For competitive reasons, the Company is not disclosing the annual remuneration of each individual Director for the financial year ended 31 March 2013. Instead, we are disclosing the bands of remuneration as follows:

Name of Director	S$0 to S$250,000	S$250,001 to S$500,000	Directors' Fees* (%)	Percentage of Variable Remuneration (%)	Percentage of Fixed Remuneration (including Directors' Fees) (%)
Dr Lim Seck Yeow	✓	–	100	–	100
Sun Bowen	–	✓	–	58.7	41.3
Bao Hongwei	✓	–	–	61.3	38.7
Peter Neville Hogan	✓	–	100	–	100
Frankie Manuel Micallef	✓	–	100	–	100
Ong Tai Tiong Desmond	✓	–	100	–	100
Wee Phui Gam	✓	–	100	–	100
Jiang Rongguang	✓	–	100	–	100

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

Remuneration of Key Executives

Details of remuneration paid to the key executives (who are not Directors of the Company) of the Group for the financial year ended 31 March 2013 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 2013 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	✓	14.2	85.8
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 2013. 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 2013.

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 2013 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 2013 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 2013.

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 2013.

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 2013, 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 FY2013 RMB'000**	**Actual FY2012 RMB'000**	**Actual FY2013 RMB'000**	**Actual FY2012 RMB'000**
Shandong Yinguang Chemical Industry Co., Ltd	Rental of manufacturing facilities, offices and warehouses	–	2,000	–	–
Shandong Yinguang Chemical Industry Co., Ltd	Acquisition of land and property	–	108,698	–	–
Feixian Yinguang Transport Co., Ltd.	Payment of transportation charges	6,027	4,206	–	–
Shandong Yinguang Commercial Explosives Sales and Services Co., Ltd	Sales of commercial explosives products	2,299	2,307	–	–
Shandong Yinguang Chemical Group Co., Ltd (1)	Sales of ammonium nitrate	3,606	–	1,712	5,359
Dyno Nobel Australia (2)	Sales of commercial explosives	–	14,698	29,420	9,373

Footnotes:

(1) The relevant general mandate was updated and approved at the Annual General Meeting held on 28 July 2011. However, it was not updated during the Annual General Meeting held on 27 July 2012 after considering the immateriality of the amount transacted. As such, transactions after 27 July 2012 will not be considered as conducted under shareholders' mandate pursuant to Rule 920.

(2) The relevant general mandate was updated and approved at the Annual General Meeting held on 27 July 2012.

9. USE OF IPO PROCEEDS

For the financial year ended 31 March 2013, 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 2013.

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
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 :

	Direct Interest	
Name of directors and company in which interest are held	**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 2013 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 Act 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. Share 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 relevant to their statutory audit, 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 independent auditor objectivity and independence is safeguarded when the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent 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.

DIRECTORS' REPORT

8. Subsequent Developments

Except for the subsequent event as disclosed in Note 28 of the financial statements, 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 2013, 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

6 June 2013

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of profit or loss and other 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 2013 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 Behalf of the Directors

Sun Bowen
Director

Bao Hongwei
Director

6 June 2013

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 2013, and the consolidated statement of profit or loss and other 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 profit or loss and other 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 2013 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.

INDEPENDENT AUDITORS' REPORT

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

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

6 June 2013

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

		Group	
	Notes	2013	2012
		RMB'000	RMB'000
Revenue	5	489,081	516,128
Cost of Sales		(355,627)	(356,222)
Gross Profit		133,454	159,906
Other Items of Income			
Interest Income	6	884	704
Other Credits	7	2,211	6,878
Other Items of Expense			
Distribution Costs		(30,192)	(31,728)
Administrative Expenses		(43,677)	(45,946)
Finance Costs	6	(3,073)	(2,925)
Other Charges	7	(3,455)	(4,482)
Profit Before Tax From Continuing Operations		56,152	82,407
Income Tax Expense	9	(24,644)	(22,392)
Profit from Continuing Operations, Net of Tax		31,508	60,015
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss:			
Exchange Differences on Translating Financial Statements of Company		306	(258)
Total Comprehensive Income		31,814	59,757
		RMB	RMB
Earnings Per Share		Cents	Cents
- Basic	10	13.46	25.65
- Diluted	10	13.46	25.65

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

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2013

		Group		Company	
	Notes	2013	2012	2013	2012
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	13	284,615	234,404	191	248
Intangible Assets	14	4,815	5,678	–	–
Other Assets, Non-Current	15	92,635	97,754	–	–
Investment in Subsidiaries	16	–	–	114,022	113,298
Deferred Tax Assets	9	4,428	4,495	–	–
Total Non-Current Assets		386,493	342,331	114,213	113,546
Current Assets					
Inventories	17	63,080	62,404	–	–
Trade and Other Receivables, Current	18	116,243	124,268	36,428	41,828
Other Assets, Current	15	15,080	43,965	66	68
Cash and Cash Equivalents	19	120,011	103,143	487	217
Total Current Assets		314,414	333,780	36,981	42,113
Total Assets		700,907	676,111	151,194	155,659
EQUITY AND LIABILITIES					
Equity					
Share Capital	20	116,849	116,849	116,849	116,849
Retained Earnings		263,139	279,925	27,299	31,635
Other Reserves	21	80,401	43,632	2,271	1,241
Total Equity		460,389	440,406	146,419	149,725
Non-Current Liabilities					
Deferred Tax Liabilities	9	5,144	5,306	–	–
Other Financial Liabilities, Non-Current	22	–	7	–	7
Total Non-Current Liabilities		5,144	5,313	–	7
Current Liabilities					
Income Tax Payable		3,316	981	–	–
Trade and Other Payables, Current	23	133,821	183,078	4,768	5,840
Other Financial Liabilities, Current	22	96,288	43,674	7	87
Other Liabilities, Current	24	1,949	2,659	–	–
Total Current Liabilities		235,374	230,392	4,775	5,927
Total Liabilities		240,518	235,705	4,775	5,934
Total Equity and Liabilities		700,907	676,111	151,194	155,659

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2013

Group:	Total Equity	Share Capital	Retained Earnings	Capital Reserve	Statutory Reserve	Foreign Exchange Translation Reserve
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Year:						
Opening Balance at 1 April 2012	440,406	116,849	279,925	–	42,546	1,086
Movements in Equity:						
Capitalisation of Subsidiary's Retained Earnings and Statutory Reserve as Share Capital of Subsidiary (Note 21)	–	–	(31,000)	44,000	(13,000)	–
Dividend Paid (Note 11)	(11,831)	–	(11,831)	–	–	–
Total Comprehensive Income for the Year	31,814	–	31,508	–	–	306
Appropriation for the Year (Note 21)	–	–	(5,463)	–	5,463	–
Closing Balance at 31 March 2013	460,389	116,849	263,139	44,000	35,009	1,392
Previous 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

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 2012	149,725	116,849	31,635	1,241
Movements in Equity:				
Dividends Paid (Note 11)	(11,831)	–	(11,831)	–
Total Comprehensive Income for the Year	8,525	–	7,495	1,030
Closing Balance at 31 March 2013	146,419	116,849	27,299	2,271
Previous 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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	2013 RMB'000	2012 RMB'000
Cash Flows From Operating Activities		
Profit Before Tax	56,152	82,407
Allowance for Impairment on Trade and Other Receivables – Loss	1,031	3,888
Allowance for Impairment on Trade and Other Receivables – Reversal	(24)	(174)
Allowance for Impairment on Inventories – Loss	208	311
Amortisation of Other Intangible Assets and Land Use Rights	3,515	3,002
Bad Debts Written-off	8	5
Depreciation of Property, Plant and Equipment	20,160	17,398
Gain on Disposal of Plant and Equipment	(71)	(3,792)
Gain on Disposal of Land Use Rights	(128)	–
Property, plant and equipment written-off	1,087	–
Provision for safety expenses	6,287	6,585
Net Effect of Exchange Rate Changes in Translation of Financial Statements of Parent	304	(249)
Interest Expense	3,073	2,925
Interest Income	(884)	(704)
Operating Cash Flows before Changes in Working Capital	90,718	111,602
Inventories	(884)	(16,181)
Trade and Other Receivables	11,841	(8,917)
Other Assets	28,885	(13,663)
Trade and Other Payables	31,709	(13,201)
Other Liabilities	(710)	420
Net Cash Flows from Operations Before Tax	161,559	60,060
Income Taxes Paid	(24,250)	(27,849)
Net Cash Flows From Operating Activities	137,309	32,211
Cash Flows From Investing Activities		
Proceeds from Disposal of Plant and Equipment	941	6,482
Purchase of Property, Plant and Equipment (Note 23)	(112,986)	(32,266)
Purchase of Land Use Rights	(46,983)	–
Interest Received	884	704
Net Cash Flows Used in Investing Activities	(158,144)	(25,080)
Cash Flows From Financing Activities		
Dividends Paid	(11,831)	(6,185)
Proceeds from Bank Borrowings	98,000	34,000
Repayment of Borrowings	(45,306)	(29,843)
Repayment of Lease Liabilities	(87)	(88)
Interest Paid	(3,073)	(2,925)
Net Cash Flows From / (Used in) Financing Activities	37,703	(5,041)
Net Increase in Cash and Cash Equivalents	16,868	2,090
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	103,143	101,053
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 19)	120,011	103,143

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

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 the date of the statement by directors.

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. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

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 as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 RMB5.0582 to S$1.00 (2012: RMB5.0261 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 RMB5.0798 to S$1.00 (2012: RMB5.1107 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. Borrowing costs 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Summary of Significant Accounting Policies (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

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.

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% to 5%

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.

2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Impairment of Non-Financial Assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (Continued)

Subsequent measurement:

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

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

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

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

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.

2. Summary of Significant Accounting Policies (Continued)

Financial Liabilities (Continued)

Subsequent measurement:

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

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

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

Fair Value of Financial Instruments

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the 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 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 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. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year.

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. A Provision is 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 historical bad debts, customer concentrations, and customer creditworthiness 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. The carrying amount is disclosed in the Note 18 on trade and other receivables.

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 related amounts are disclosed in Note 9.

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 RMB144,759,000 (2012: RMB154,071,000).

Leasehold property and Land use rights:

The group has leasehold property and land use rights stated at carrying value of RMB75,717,000 (2012: RMB80,074,000) and RMB92,635,000 (2012: RMB97,754,000) 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 (Continued)

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 RMB4,815,000 (2012: RMB5,678,000).

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 reporting entity 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. The current balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any significant non-current balances and significant financial guarantees an interest or charge is charged or imputed unless stated otherwise.

3. Related Party Relationships and Transactions (Continued)

3.2 Other related parties: (Continued)

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	
	2013	2012
	RMB'000	RMB'000
Acquisition of land use rights	–	46,593
Acquisition of property, plant and equipment	–	62,105
Sales of goods	(37,139)	(31,737)
Rental expenses	316	2,318
Purchase of goods	392	795
Freight charges	6,027	4,206

3.3 Key management compensation:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries and other short-term employee benefits	6,777	7,852

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

	2013	2012
	RMB'000	RMB'000
Remuneration of directors of the company	3,162	4,263
Fees to directors of the company	1,707	1,717

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

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

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

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

3. Related Party Relationships and Transactions (Continued)

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

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

	Group	
	2013	2012
	RMB'000	RMB'000
Other related parties:		
Other payables:		
Balance at beginning of year	(89,557)	(921)
Amounts paid out and settlement of liabilities on behalf of related parties	93,628	25,063
Amounts paid in and settlement of liabilities on behalf of the company	(6,539)	(113,699)
Balance at end of year (Note 23)	(2,468)	(89,557)

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.

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.

4. Financial Information by Operating Segments (Continued)

4B. Profit or Loss from Continuing Operations and Reconciliations

	Explosives devices	Industrial fuse and initiating devices	Industrial detonators	Ammonium nitrate	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing Operations 2013						
Revenue by Segment	165,541	105,576	85,802	131,102	1,060	489,081
Total revenue	165,541	105,576	85,802	131,102	1,060	489,081
Recurring EBITDA	45,003	44,888	35,200	4,355	833	130,279
Depreciation	(2,522)	(1,352)	(6,946)	(5,449)	(3,891)	(20,160)
Amortisation	(297)	–	(233)	(1,152)	(1,833)	(3,515)
ORBIT	42,184	43,536	28,021	(2,246)	(4,891)	106,604
Interest income					884	884
Finance costs					(3,073)	(3,073)
Unallocated corporate expenses					(48,263)	(48,263)
Profit before tax from continuing operations						56,152
Income tax expense						(24,644)
Profit from continuing operations						31,508

	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

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
2013						
Total assets for reportable segments	63,788	64,245	106,208	164,247	–	398,488
Unallocated:						
Property, plant and equipment					50,436	50,436
Other assets, non-current					43,971	43,971
Deferred tax assets					4,428	4,428
Inventories					28,627	28,627
Trade and other receivables					80,366	80,366
Other assets, current					7,356	7,356
Cash and cash equivalents					87,235	87,235
Total group assets	63,788	64,245	106,208	164,247	302,419	700,907

	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

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
2013						
Total liabilities for reportable segments	2,068	708	1,839	93,956	–	98,571
Unallocated:						
Deferred tax liabilities					5,144	5,144
Income tax payable					3,316	3,316
Trade and other payables					63,772	63,772
Other liabilities					1,708	1,708
Other financial liabilities					68,007	68,007
Total group liabilities	2,068	708	1,839	93,956	141,947	240,518

	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

4. Financial Information by Operating Segments (Continued)

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:						
2013	–	–	–	–	2,111	2,111
2012	–	–	–	–	238	238
Expenditures for non-current assets:						
2013	6,533	35,815	1,949	23,698	4,721	72,716
2012	9,998	24,502	7,796	1,545	77,678	121,519

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Within PRC	352,095	417,596	381,874	337,588
Outside PRC:				
Sales through export distributors	24,415	13,943	–	–
Australia	98,007	67,124	–	–
Singapore	–	–	191	248
Others (*)	14,564	17,465	–	–
Subtotal for all foreign countries	136,986	98,532	191	248
Total continuing operations	489,081	516,128	382,065	337,836

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

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

	Group	
	2013	2012
	RMB'000	RMB'000
Top 1 customer in explosives devices segment	58,168	36,519

5. Revenue

	Group 2013 RMB'000	Group 2012 RMB'000
Sale of goods	489,081	516,128

6. Interest Income and (Finance Costs)

	Group 2013 RMB'000	Group 2012 RMB'000
Interest income	884	704
Bank interest expense	(3,070)	(2,917)
Finance lease interest expense	(3)	(8)
Net	(2,189)	(2,221)
Presented in profit or loss as:		
Interest Income	884	704
Finance Costs	(3,073)	(2,925)
Net	(2,189)	(2,221)

7. Other Credits and (Other Charges)

	Group 2013 RMB'000	Group 2012 RMB'000
Bad debts written-off trade receivables	(8)	(5)
Foreign exchange adjustment loss	(1,121)	(278)
Gain on disposal of property, plant and equipment	71	3,792
Gain on disposal of land use rights	128	–
Government grant	1,988	2,912
Property, plant and equipment written-off	(1,087)	–
Allowance for impairment on trade and other receivables – loss	(1,031)	(3,888)
Allowance for impairment on trade and other receivables – reversal	24	174
Allowance for impairment on inventories – loss	(208)	(311)
Net	(1,244)	2,396
Presented in profit or loss as:		
Other Credits	2,211	6,878
Other Charges	(3,455)	(4,482)
Net	(1,244)	2,396

8. Employee Benefits Expense

	Group 2013 RMB'000	Group 2012 RMB'000
Employee benefits expense	57,436	51,224
Contributions to defined contribution plans	13,080	11,849
Total employee benefits expense	70,516	63,073

The employee benefit expense is charged as follows:

	Cost of Sales RMB'000	Distribution Costs RMB'000	Administrative Expenses RMB'000	Total RMB'000
Group:				
2013	49,526	5,059	15,931	70,516
2012	42,462	4,012	16,599	63,073

9. Income Tax Expense

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

	Group 2013 RMB'000	Group 2012 RMB'000
Current tax expense		
Current tax expense	19,124	23,637
Under/(Over) adjustments to current tax in respect of prior periods	5,615	(786)
Subtotal	24,739	22,851
Deferred tax income		
Deferred tax income	(95)	(459)
Subtotal	(95)	(459)
Total income tax expense	24,644	22,392

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% (2012: 17%) to profit before income tax as a result of the following differences:

	Group 2013 RMB'000	Group 2012 RMB'000
Profit Before Tax	56,152	82,407
Income tax expense at the above rate	9,546	14,009
Not deductible items	4,001	1,497
Under/(Over) adjustments to tax in respect of prior periods	5,615	(786)
Effect of different tax rate in foreign countries	5,482	7,672
Total income tax expense	24,644	22,392

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

The amount of income tax payable outstanding as at end of the reporting year was RMB3,316,000 (2012: RMB981,000). Such an amount is net of tax advances, which according to the tax rules, were paid before the end of the reporting year.

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	
	2013	2012
	RMB'000	RMB'000
Excess of tax values over net book value of plant and equipment	4	(458)
Excess of net book value of land use rights over tax values	(287)	(32)
Excess of net book value of licences and customer relationship over tax values	(216)	(216)
Allowance for impairment of trade and other receivables	(258)	(891)
Allowance for impairment of inventories	26	(78)
Accrual for safety expenses	(64)	516
Deferred tax charge relating to unremitted profits of a subsidiary	700	700
Total deferred income tax income recognised in profit or loss	(95)	(459)

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

	Group	
	2013	2012
	RMB'000	RMB'000
Deferred tax liabilities recognised in profit or loss:		
Excess of net book value of plant and equipment over tax values	(2,150)	(2,150)
Excess of tax values over net book value of plant and equipment	104	108
Excess of net book value of land use rights over tax values	(1,067)	(1,354)
Excess of net book value of licences and customer relationship over tax values	(1,203)	(1,419)
Allowance for impairment of trade and other receivables	4,108	3,850
Allowance for impairment of inventories	52	78
Accrual for safety expenses	1,540	1,476
Deferred tax charge relating to unremitted profits of a subsidiary	(2,100)	(1,400)
Net balance	(716)	(811)

Presented in the statement of financial position as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Deferred tax liabilities	(5,144)	(5,306)
Deferred tax assets	4,428	4,495
Net position	(716)	(811)

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

9. Income Tax Expense (Continued)

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

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	
	2013	2012
	RMB'000	RMB'000
Subsidiaries	10,869	10,231

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	
		2013	2012
A.	Numerators: earnings attributable to equity:		
	Continuing operations: attributable to equity holders (RMB'000)	31,508	60,015
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	
	2013	2012
	RMB'000	RMB'000
Final tax exempt (1-tier) dividend paid of S$1.0 cents (2012: S$0.5 cents) per share	11,831	6,185

In respect of the current year, the directors propose that a final dividend of S$0.7 cents (2012: S$1.0 cents) per share with an estimated total of RMB8,285,000 (2012: RMB11,831,000) 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 2013 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	
	2013	2012
	RMB'000	RMB'000
Audit fees to auditors of the company	365	367
Audit fees to other auditors	210	210
Non-audit fees paid to the auditors of the company	10	12

13. Property, Plant and Equipment

Group	Leasehold property	Plant and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 April 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
Additions	101	8,345	63,880	72,326
Disposals	(29)	(1,793)	–	(1,822)
Assets written-off	(270)	(1,970)	–	(2,240)
Foreign exchange adjustments	–	7	–	7
At 31 March 2013	87,646	205,674	64,139	357,459
Accumulated depreciation and impairment:				
At 1 April 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
Depreciation for the year	4,172	15,988	–	20,160
Disposals	–	(952)	–	(952)
Assets written-off	(13)	(1,140)	–	(1,153)
Foreign exchange adjustments	–	5	–	5
At 31 March 2013	11,929	60,915	–	72,844
Net book value:				
At 1 April 2011	48,018	131,706	1,553	181,277
At 31 March 2012	80,074	154,071	259	234,404
At 31 March 2013	75,717	144,759	64,139	284,615

During the year, certain property, plant and equipment of the group with a net book value of RMB1,087,000 were written-off as these were found obsolete for the group's specialized manufacturing operations.

13. Property, Plant and Equipment (Continued)

Company	Plant and equipment
	RMB'000
Cost:	
At 1 April 2011	1,146
Additions	24
Foreign exchange adjustments	(38)
At 31 March 2012	1,132
Additions	11
Foreign exchange adjustments	7
At 31 March 2013	1,150
Accumulated depreciation:	
At 1 April 2011	846
Depreciation for the year	67
Foreign exchange adjustments	(29)
At 31 March 2012	884
Depreciation for the year	70
Foreign exchange adjustments	5
At 31 March 2013	959
Net book value:	
At 1 April 2011	300
At 31 March 2012	248
At 31 March 2013	191

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

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

iii) The depreciation expense is charged as follows:

	Cost of sales	Administrative expenses	Charge against Provision for safety expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
2013	16,348	2,040	1,772	20,160
2012	13,907	2,108	1,383	17,398

14. Intangible Assets

	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Licenses	2,698	3,182	–	–
Customer relationships	2,117	2,496	–	–
Total	4,815	5,678	–	–

Group	Licenses RMB'000	Customer relationships RMB'000	Total RMB'000
Cost:			
At 1 April 2011, 31 March 2012 and 31 March 2013	4,833	3,792	8,625
Accumulated Amortisation:			
At 1 April 2011	1,168	916	2,084
Amortisation for the year	483	380	863
At 31 March 2012	1,651	1,296	2,947
Amortisation for the year	484	379	863
At 31 March 2013	2,135	1,675	3,810
Net Book Value:			
At 1 April 2011	3,665	2,876	6,541
At 31 March 2012	3,182	2,496	5,678
At 31 March 2013	2,698	2,117	4,815

15. Other Assets

	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Non-Current:				
Land use rights (Note 15A)	92,635	97,754	–	–
Subtotal	92,635	97,754	–	–
Current:				
Prepayments	2,261	1,326	66	68
Advances to suppliers	9,232	38,621	–	–
Advances to a related party supplier (Note 3)	1,161	2,018	–	–
Advances to staff	2,426	2,000	–	–
Subtotal	15,080	43,965	66	68
	107,715	141,719	66	68

15. Other Assets (Continued)

15A Land Use Rights

Group	RMB'000
Cost:	
At 1 April 2011	55,617
Additions for the year	46,593
At 31 March 2012	102,210
Additions for the year	390
Disposal during the year	(3,095)
At 31 March 2013	99,505
Accumulated amortisation:	
At 1 April 2011	2,317
Amortisation for the year	2,139
At 31 March 2012	4,456
Amortisation for the year	2,652
Disposal during the year	(238)
At 31 March 2013	6,870
Net book value:	
At 1 April 2011	53,300
At 31 March 2012	97,754
At 31 March 2013	92,635

(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 2013, the group has yet to obtain the legal titles for 2 parcel 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 in the financial year ended 31 March 2012. As at 31 March 2013, all the legal titles of 11 plots of land have been transferred to the group. As at 31 March 2013, a remaining 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)

15A Land Use Rights (Continued)

Detail of the group's land use rights (excluding those plots of land located in Fei County, Linyi City that have 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	
	2013	2012
	RMB'000	RMB'000
Unquoted equity shares at cost	113,143	113,143
Foreign currency translation difference	879	155
	114,022	113,298
Net book value of subsidiaries	435,664	411,281
Analysis of above amount denominated in non-functional currency:		
China RMB	114,022	113,298

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		Percentage of equity held by Group	
	2013	2012	2013	2012
	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	
	2013	2012
	RMB'000	RMB'000
Raw materials	39,711	34,645
Work-in-progress	80	235
Finished goods	23,289	27,524
Balance at end of the year	63,080	62,404
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	(311)	–
Write-off during the year	311	–
Charge to profit or loss included in other charges	(208)	(311)
Balance at end of the year	(208)	(311)
Changes in inventories of finished goods and work in progress	4,390	(10,177)
Raw materials and consumables used	262,092	280,612

There are no inventories pledged as security for liabilities.

18. Trade and Other Receivables, Current

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Outside parties	118,144	125,208	–	–
Less allowance for impairment	(16,607)	(15,734)	–	–
Related party (Note 3)	5,705	10,034	–	–
Sub-total	107,242	119,508	–	–
Other receivables:				
Outside parties	4,412	2,017	–	–
Less allowance for impairment	(168)	(168)	–	–
Tax recoverable	4,757	2,911	–	–
Subsidiary (Note 3)	–	–	36,428	41,828
Sub-total	9,001	4,760	36,428	41,828
Total trade and other receivables	116,243	124,268	36,428	41,828
Movement in the above allowance – trade receivables				
Balance at beginning of the year	(15,734)	(12,020)	–	–
Credit to profit or loss included in other credits	24	174	–	–
Allowance written-off	134	–	–	–
Charge to profit or loss included in other charges	(1,031)	(3,888)	–	–
Balance at end of the year	(16,607)	(15,734)	–	–
Movement in the above allowance – other receivables				
Balance at beginning and end of the year	(168)	(168)	–	–

19. Cash and Cash Equivalents

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Not restricted in use	120,011	103,143	487	217
Interest earning balances	119,524	102,926	–	–

The rate of interest for the cash on interest earning account is between 0.35% and 0.39% (2012: 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 2011 and at end of the year 31 March 2012 and 31 March 2013	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. Adjusted capital comprises all components of equity (that is, share capital and reserves).

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency reserve	1,392	1,086	2,271	1,241
Capital reserve	44,000	–	–	–
Statutory reserve	35,009	42,546	–	–
	80,401	43,632	2,271	1,241

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.

During the current financial year, Shandong Yinguang Technology Co., Ltd. capitalised RMB 13.0 million and RMB 31.0 million from Statutory Reserve and Retained Earnings, respectively as its Share Capital. Consequently, these amounts have been transferred from statutory reserve and retained earnings to capital reserve.

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Finance leases (Note 22A)	–	7	–	7
Current:				
Finance leases (Note 22A)	7	87	7	87
Bank loans I (Note 22B)	68,000	14,000	–	–
Bank loans II (Note 22C)	20,000	20,000	–	–
Third party loan (Note 22D)	8,281	9,587	–	–
Current, total	96,288	43,674	7	87
Total	96,288	43,681	7	94

22. Other Financial Liabilities (Continued)

22A Finance leases

Group and Company	Minimum payments	Finance charges	Present value
2013	RMB'000	RMB'000	RMB'000
Minimum lease payments payable:			
Due within 1 year	7	–	7
Due within 2 to 5 years	–	–	–
Total	7	–	7
Net book value of plant and equipment under finance leases			174

2012	Minimum payments RMB'000	Finance charges RMB'000	Present value RMB'000
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

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 2013, the average effective borrowing rate is 6.61% (2012: 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 RMB96.2 million (2012: RMB17.1 million) and a corporate guarantee from a company which a director has substantial interest.

They bear fixed interest and have maturity dates as follows:

2013: Loan Principal (RMB'000)	Interest rate (%)	Maturity dates	2012: Loan Principal (RMB'000)	Interest rate (%)	Maturity dates
10,000	6.63	24 May 2013	10,000	8.20	25 April 2012
10,000	5.88	21 June 2013	4,000	8.20	22 September 2012
20,000	5.88	21 June 2013			
8,000	6.30	16 August 2013			
20,000	5.88	13 September 2013			
68,000			14,000		

22. Other Financial Liabilities (Continued)

22C Bank Loans II

The short-term bank loans of RMB20.0 million (2012: RMB20.0 million) are secured by a corporate guarantee from a related party which a director has substantial interest. They bear fixed interest rates at 7.200% (2012: 7.872%) per annum and mature on 18 November 2013.

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. For 2013, the full balance is interest-free. For 2012, it includes an amount of RMB1.6 million which bears fixed interest at 12% per annum and the remaining balance is interest-free. These loans have no fixed term of repayment.

23. Trade and Other Payables, Current

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Outside parties and accrued liabilities	51,321	40,333	4,596	5,692
Provision for safety expenses	6,986	7,191	–	–
Bills payable	44,000	16,000	–	–
Related parties (Note 3)	2,558	2,597	–	–
VAT payables	1,451	1,484	–	–
Subtotal	106,316	67,605	4,596	5,692
Other payables:				
Related parties (Note 3) [(a)]	2,468	89,557	–	–
Payable for land use rights (Note 15A)	21,547	21,547	–	–
Outside parties	3,490	4,369	172	148
Subtotal	27,505	115,473	172	148
Total trade and other payables	133,821	183,078	4,768	5,840

(a) Included in amounts due to related parties is an amount of RMB2,000,000 (2012: RMB89,253,000) for the purchase of land use rights and property, plant and equipment from a related party in 2012. The amount is unsecured, interest-free and is repayable in 2014.

	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Movement in the provision for safety expenses				
Provision for safety expenses				
Balance at beginning of the year	7,191	9,254	–	–
Provision for the year	6,287	6,585	–	–
Utilisation during the year	(6,492)	(8,648)	–	–
Balance at end of the year	6,986	7,191	–	–

Provision for safety expenses are made in accordance with the regulation of People's Republic of China.

24. Other Liabilities, Current

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	1,949	2,659	–	–

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Cash and cash equivalents	120,011	103,143	487	217
Loans and receivables	111,486	121,357	36,428	41,828
At end of the year	231,497	224,500	36,915	42,045
Financial liabilities:				
Borrowings at amortised cost	96,288	43,681	7	94
Trade and other payables at amortised cost	133,821	183,078	4,768	5,840
At end of the year	230,109	226,759	4,775	5,934

Further quantitative disclosures are included throughout these financial statements.

25B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. However these are not formally documented in written form. The guidelines include the following:

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

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

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

4. All financial risk management activities are carried out following 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 (2012: 90 days) and to overseas customers is about 150 days (2012: 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	
	2013	2012
	RMB'000	RMB'000
Trade receivables:		
91 - 180 days	20,141	15,475
181 days to 1 year	4,351	5,039
Over 1 year	3,703	4,241
Total	28,195	24,755

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

	Group	
	2013	2012
	RMB'000	RMB'000
Trade receivables:		
Over 1 year	16,607	15,734
Total	16,607	15,734

The allowance which is disclosed in the Note 18 on trade receivables is based on individual accounts totalling RMB16,607,000 (2012: RMB15,734,000) 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.

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

25D. Credit Risk on Financial Assets (Continued)

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

	2013	2012
	RMB'000	RMB'000
Group:		
Top 1 customer	14,257	13,863
Top 2 customers	20,674	21,400
Top 3 customers	26,832	27,993

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:			
2013:			
Gross borrowings commitments	98,433	–	98,433
Gross finance lease obligations	7	–	7
Trade and other payables	133,821	–	133,821
At end of the year	232,261	–	232,261

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

Company	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
2013:			
Gross finance lease obligations	7	–	7
Trade and other payables	4,768	–	4,768
At end of the year	4,775	–	4,775

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

25E. Liquidity Risk (Continued)

Company	Less than 1 year	1 – 3 years	Total
	RMB'000	RMB'000	RMB'000
Non-derivate financial liabilities:			
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

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 (2012: 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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Floating rates	119,524	102,926	–	–
At end of the year	119,524	102,926	–	–
Financial liabilities:				
Fixed rates	88,007	35,694	7	94
At end of the year	88,007	35,694	7	94

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.

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

25G. Foreign Currency Risks

Analysis of amount denominated in non-functional currency:

Company	China RMB
	RMB'000
Financial assets:	
2013:	
Loans and receivables	36,428
2012:	
Loans and receivables	41,828

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:

	2013	2012
	RMB'000	RMB'000
Commitments to purchase of plant and equipment	17,929	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	
	2013	2012
	RMB'000	RMB'000
Not later than one year	315	313
Later than one year and not later than five years	26	339
Rental expense for the year	316	2,318

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. Events after the End of the Reporting Year

On 20 May 2013, an unrelated commercial explosives manufacturing plant in Shandong Province had an explosion accident. Subsequent to the explosion accident, the subsidiary, Shandong Yinguang Technology Co., Ltd. has to cease its operation as the Chinese authorities issued a "cease production" order to all commercial explosives manufacturing companies in Shandong Province. The subsidiary will recommence its operation when the Chinese authorities remove the "cease production" order. The potential loss caused by this event cannot be quantified at this time and there is no insurance coverage for this loss.

29. Changes and Adoption of Financial Reporting Standards

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

FRS No.	Title
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income
FRS 12	Deferred Tax (Amendments to) – Recovery of Underlying Assets (*)
FRS 107	Financial Instruments: Disclosures (Amendments to) – Transfers of Financial Assets (*)

(*) Not relevant to the entity.

30. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates 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	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)	1 Jan 2013
FRS 16	Amendment to FRS 16 Property, Plant and Equipment (Annual Improvements)	1 Jan 2013
FRS 19	Employee Benefits (Revised)	1 Jan 2013
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 Jul 2012
FRS 27	Separate Financial Statements (Revised)	1 Jan 2014
FRS 28	Investments in Associates and Joint Ventures (Revised) (*)	1 Jan 2014
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)	1 Jan 2013
FRS 107	Amendments to FRS 32 and 107 titled Offsetting Financial Assets and Financial Liabilities	1 Jan 2013
FRS 110	Consolidated Financial Statements	1 Jan 2014
FRS 111	Joint Arrangements (*)	1 Jan 2014
FRS 112	Disclosure of Interests in Other Entities (*)	1 Jan 2014
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112	1 Jan 2014
FRS 113	Fair Value Measurements	1 Jan 2013
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)	1 Jan 2013

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

As at 18 June 2013

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	502	50.66	3,284,000	1.40
10,001 - 1,000,000	475	47.93	31,100,000	13.29
1,000,001 AND ABOVE	14	1.41	199,616,000	85.31
TOTAL	991	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	5,131,000	2.19
6	RAFFLES NOMINEES (PTE) LTD	4,855,000	2.07
7	BAO HONGWEI	4,788,000	2.05
8	TAN GEOK BEE	4,231,000	1.81
9	PHILLIP SECURITIES PTE LTD	1,955,000	0.84
10	CHUA SEK HOW	1,407,000	0.60
11	NGIAN PIN CHRISTINA	1,320,000	0.56
12	HL BANK NOMINEES (S) PTE LTD	1,200,000	0.51
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	838,000	0.36
18	HONG PIAN TEE	825,000	0.35
19	UOB KAY HIAN PTE LTD	805,000	0.34
20	HONG LEONG FINANCE NOMINEES PTE LTD	800,000	0.34
	TOTAL	**204,663,000**	**87.45**

STATISTICS OF SHAREHOLDINGS

As at 18 June 2013

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 18 June 2013.

	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 2013, 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 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835 on Thursday, 25 July 2013 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 2013 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$0.007 per ordinary share for the financial year ended 31 March 2013. **Resolution 2**

3. To approve the payment of Directors' Fees of S$336,000 for the financial year ended 31 March 2013 (2012: S$336,000). **Resolution 3**

4. To re-appoint Dr. Lim Seck Yeow as a Director of the Company to hold office until the next Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50. **Resolution 4**

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

5. To re-elect Mr. Ong Tai Tiong Desmond who is retiring under Article 107 of the Company's Articles of Association. **Resolution 5**

   Mr. Ong Tai Tiong Desmond, will upon re-election as Director of the Company, remain as a Chairman of the Nominating Committee and Chairman of the Remuneration Committee. He 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 Audit Committee.

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

7. To re-elect Mr. Jiang Rongguang who is retiring under Article 107 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 Ordinary Resolutions: -

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 2013

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.

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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 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835 on Thursday, 25 July 2013 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 2013.		
2.	To declare a first and final tax exempt one-tier dividend of S$0.007 per ordinary share for the financial year ended 31 March 2013.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 March 2013.		
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. Ong Tai Tiong Desmond as a Director under Article 107.		
6.	To re-elect Mr. Peter Neville Hogan as a Director under Artcle 107.		
7.	To re-elect Mr. Jiang Rongguang as a Director under Article 107.		
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 ______________________ 2013.

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.

FABCHEM CHINA LIMITED

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