FABCHEM CHINA LIMITED

CHINA

Expanding Our Presence ACROSS BORDERS

INDONESIA

AUSTRALIA

SINGAPORE

ANNUAL REPORT 2015

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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

1 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.

2 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.

3 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.

4 EXPLOSIVE GRADE AMMONIUM NITRATE

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

FY2015 HIGHLIGHTS

Fabchem achieves turnaround in FY2015 with higher gross profit margin of 30.9%

Healthy growth from overseas markets which accounted for 36.6% of overall revenue

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Australia continued to be a major overseas market for the Group, as sales increased to RMB 100.3 million

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Stronger balance sheet with cash position of RMB 125.9 million and low gearing

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Net cash generated from operating activities of approximately RMB 57.2 million

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Shareholders' equity improved to RMB 404.2 million and net asset value per share stood at RMB 1.73 per share

Creating New Gateways With Our Competitive Strengths

As the largest booster and detonating cord producer in China, we build upon our specialised industry knowledge and sterling safety track record of more than 35 years to position ourselves as one of the world's leading manufacturer of initiation systems.

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Financial Statements of Fabchem China Limited ("Fabchem" or "the Group") for the financial year ended 31 March 2015 ("FY2015").

While China's economy continues to grow in 2014, it was the slowest economic growth registered in more than two decades. In addition, other emerging markets also experienced slowdown in their economic activity and as a result, the broad-based weakness in global commodity prices continues to impact mining activities in China and overseas markets.

Despite such challenging business conditions, particularly in our ammonium nitrate business activities, the Group returned to profitability with a net profit of RMB 13.1 million in FY2015 and a strong liquidity position. More details of our financial performance in FY2015 can be found in the following pages.

In FY2015, the Group's production activities gradually returned to normalcy as compared to FY2014, where the Group was subjected to curtailed production capacity imposed by the Chinese authorities since an explosive accident occurred at an unrelated commercial explosive manufacturing plant in Jinan, Shandong Province on 20 May 2013, which affected the entire industry in China.

However, since then, more stringent safety requirements have been put in place by the relevant authorities and this has resulted in heightened safety checks and controls that affected our production capabilities.

For the Group's explosive-grade ammonium nitrate business segment, the challenging business environment remains unabated as market-driven selling prices of ammonium nitrate and sales volume further deteriorated. To mitigate the financial impact, the Group controlled and limited the production and sales of our ammonium nitrate product in FY2015.

Given such drastic business conditions and projected operating losses for our ammonium nitrate business segment, the board of directors prudently wrote down the value of our ammonium nitrate assets by RMB 60.0 million in FY2014 to ensure that the Group's balance sheet reflect asset values conservatively. The construction of the Group's new explosive-grade ammonium nitrate production facilities has been halted since FY2014.

The improved product mix and financial results in FY2015 highlight the speed of our restructuring measures, but it is only the initial step. These measures, while sometimes difficult, are necessary for the Group to restore profitability and enhance our competitive strengths in this niche and specialised industry for years to come.

PROPOSED DIVIDEND OF S$0.003 PER ORDINARY SHARE

FY2015 has been a turnaround year for the Group and in our commitment to return value to our shareholders with a sustainable dividend policy, the board of directors is pleased to recommended a dividend payout of S$0.003 per share for FY2015.

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

REVIEW OF OUR FINANCIAL PERFORMANCE

The slowdown in mining activities has impacted the Group's overall revenue in FY2015, particularly in the Chinese economy as sales of ammonium nitrate decreased 56.7% in FY2015 due to declining market selling price.

Among the Group's four product segments, the explosive devices product segment and industrial fuse and initiating explosive devices product segment registered revenue growth of 12.6% and 6.4% respectively in FY2015. Both product segments accounted for more than 67% of the Group's revenue in FY2015 and it mitigated the adverse impact of the ammonium nitrate business segment.

With a good safety track record of more than 35 years in China and a strong reputation within the global commercial explosive industry, sales from overseas markets increased 10.7% to approximately RMB 128.0 million, accounting for a larger composition of the Group's overall revenue, which stood at 36.6% in FY2015.

Australia continued to be a major overseas market for the Group, as sales increased marginally to RMB 100.3 million, which the Group supplies reliable and cost-effective specialised products to global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, on an Original Equipment Manufacturer basis.

Overall, gross profit margin improved by approximately 6.9 percentage points to 30.9% in FY2015 due to the significant reduction in sales of ammonium nitrate, which was the lowest gross margin product segment.

In line with lower sales revenue recorded in FY2015, distribution costs decreased marginally to RMB 27.2 million, while administrative expenses remained relatively stable at RMB 41.5 million.

The Group's EBITDA in FY2015 improved by 19.0% to RMB 55.2 million from RMB 46.4 million in FY2014.

Overall, the Group's net profit attributable to shareholders achieved a turnaround of RMB 13.1 million in FY2015 as compared to a loss-making position in FY2014, inclusive of the impairment of the Group's ammonium nitrate assets by RMB 60.0 million.

Mr. Sun Bowen
Managing Director

Dr. Lim Seck Yeow
Non-Executive Chairman

LETTER TO SHAREHOLDERS

ANALYSIS OF OUR BALANCE SHEET

With a disciplined and prudent financial approach, the Group has built up a strong liquidity position over the past 35 years and as at 31 March 2015, the Group's cash and cash equivalent position stood at approximately RMB 125.9 million with a gearing of 0.14x. Total assets also increased to approximately RMB 619.0 million as at 31 March 2015.

Notably, majority of the Group's ammonium nitrate's fixed assets were impaired as at 31 March 2014 so as to ensure that the Group's balance sheet conservatively reflects asset values.

Trade receivables, another major component of current assets, stood at approximately RMB 82.4 million as at the end of March 2015.

At as 31 March 2015, the Group's total liabilities stood at RMB 214.8 million, of which the major component was attributable to trade and other payables of RMB 115.3 million and other financial liabilities of RMB 83.7 million.

As at the end of March 2015, shareholders' equity improved to RMB 404.2 million and net asset value per share stood at RMB 1.73 per share.

CASH FLOW HIGHLIGHTS

The Group continues to generate strong cash flows from our business operations and with improved creditors' management, the Group recorded net cash generated from operating activities of approximately RMB 57.2 million during FY2015.

While the Group utilised cash resources in investing and financing activities of approximately RMB 15.1 million and RMB 15.6 million respectively, the Group recorded an overall net cash inflow of approximately RMB 26.4 million in FY2015.

MAJOR CORPORATE UPDATES IN FY2015

Underpinned by an unrelenting focus on safety and to comply with new safety regulations, the Group has identified a suitable piece of nearby land, with a size of approximately 133,334 square meters, to build additional warehousing and storage facilities for our

commercial explosives products. The construction of these warehousing and storage facilities will take approximately 2 years and the related capital investment is estimated to be RMB 84.6 million.

Separately, at the annual China's commercial explosive industry conference in December 2014, the Chinese regulators announced the removal of controlled selling prices of commercial explosives products. Hence, commercial explosives products that are manufactured domestically can be marketed and transacted freely within the domestic market.

While these new government initiatives will likely boost new market opportunities, it could also introduce additional market competition. In response, the Group has reorganised its sales and marketing teams and the management team is closely monitoring the business environment so as to re-align our marketing efforts accordingly.

Within this niche and specialised industry, we have transitioned to a new phase of development through FY2015 with our restructuring plans and we are poised to reap economies of scale and seize new business opportunities when market conditions improved in the long-run.

IN RECOGNITION AND APPRECIATION

On behalf of the Board, I would like to thank our shareholders for your steadfast support over the recent years in enabling us to enhance our competitive strengths for long-term value creation.

In addition, I would like to acknowledge the contributions by fellow Board Members for their insights and counsel from their diverse vast experience and expertise.

Last but not least, I would also like to express my gratitude to our dedicated employees and business partners for their unwavering confidence and support for our Group. We look forward to build a stronger business foundation for the year ahead.

Thank You!

主席致词

致敬爱的股东们：

我谨代表董事会，呈上中国杰化有限公司（“中国杰化”或“本集团”）截至2015年3月31日（“2015财政年”）的年度报告以及审计财务报告。

虽然中国的经济显示持续复苏的迹象，但其增幅却是近二十年来最为缓慢的。此外，其它新兴市场同时也面临经济活动的减缓，导致商品价格全面性下滑，继续冲击着中国及海外市场的采矿活动。

尽管面临严峻的挑战，尤其硝酸铵的业务活动深受打击，本集团仍取得总值1310万元人民币的净利润及充裕的流动资金。欲知本集团于2015财政年的财政表现的详情，可参阅以下内容。

相比较于2014财政年，本集团的运营活动于2015财政年逐渐恢复正常。在2013年5月20日， 山东省的一家民爆生产企业车间发生了意外爆炸事故，虽然这起意外爆炸事故与本集团没有关联，但这件事故促使有关当局加强了对民爆生产企业的检查和监控，影响了全中国的民爆器材市场。

然而，自此事件发生后，有关当局对民爆生产企业施以更严格的安全监管，加紧了检查和监控。以上种种因素对本集团带来负面的影响，削减了我们的生产能力。

在低迷的市场驱动下，硝酸铵的价格一直处于下滑趋势，其炸药生产用硝酸铵的业务严重受到冲击。因此，本集团于2015财政年控制及限制硝酸铵的销售，尽可能缓解劣势。

由于该商业环境疲弱，导致硝酸铵业务面临可预计的营运亏损。为确保本集团的资产负债表呈现保守的资产价值，在2014财政年， 董事会慎重地冲减了6000万元人民币的硝酸铵生产线固定资产的价值。本集团也于2014财政年，暂停建造新硝酸铵的生产设备。

调整后的产品结构，以及于2015财政年显示的财务业绩突显了重组措施进展的奏效，但仍须努力。这些措施虽不易有效执行，却是必经阶段，以备本集团的业绩能够尽快恢复增长状况，并提高竞争力，长期在这个缝隙市场中生存。

建议派发每普通股 0.003新元的股息

由于2015财政年的业绩转亏为盈，董事会建议按股息政策，派发每股0.003新元的股息，致力为股东们带来最大回报。

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

采矿活动的放缓，导致本集团的总营业额于2015财政年受到冲击，中国市场更是受到影响。市场价格的下滑，以及原材料成本的上升，致使硝酸铵的销量于2015财政年下降了56.7%。

在本集团四项产品之中，中继起爆具、工业导爆索以及导爆管的营业额分别于2015财政年增长了12.6%及6.4%。这两项产品种类为本集团带来的收入占了总收入比重多于67%，缓解了硝酸铵产品滞销而造成的负面影响。

本集团保持超过35年优良的安全运营记录，在全球民爆器材行业也享有盛誉，促成海外市场的营业额于本财政年增加了10.7%至1.28亿元人民币，占据了总收入的36.6%。

澳大利亚仍是本集团主要的海外市场，其营业额略微上升至1.003亿元人民币。作为原始设备制造商（‘OEM’），本集团将这些可靠及符合成本效率的OEM产品外销给全球著名的民爆器材公司，如澳大利亚澳瑞凯公司和代诺诺贝尔集团。

虽然硝酸铵的营业额大幅度地下滑，却没有对本集团的毛利率造成影响，而本集团的总毛利率于2015财政年增长至30.9%，上升了6.9百分点。

随着2015财政年的营业额的下滑，销售费用下降至2720万元人民币，而管理费用相对之下保持平稳，维持在4150万元人民币。

本集团的税息拆旧以及摊销前利润（EBITDA）同2014财政年的4640万元人民币相比，上升了19.0%至5520万元人民币。

综上所述，相比较于本集团在2014财政年因硝酸铵减值了6000万元人民币而蒙受亏损，本集团于2015财政年的股东应占纯利转亏为盈，取得1310万元人民币的收益。

资产负债表分析

遵循着一套严格及谨慎的财务规划，本集团于过往的35年来建立了稳健的流动资金情况。截至2015年3月31日，本集团的现金与现金等价物为1.259亿元人民币，资产负债率为0.14倍，总资产也上升至约6.19亿元人民币。

截至2014年3月31日，本集团大部分硝酸铵的固定资产已被减值，以确保本集团的资产负债表呈现保守的资产价值。

截至2015年3月底，流动资产中的主要是应收账款为8230万元人民币。

截至2015年3月底，本集团的总负债为2.148亿元人民币，主要由应付及其他应付款的1.153亿万元人民币以及 8370万元人民币的其他财务负债组成。

截至2015年3月底，股东权益上升至4.042亿万元人民币， 每股的净资产价值为1.73人民币。

现金流量摘要

于2015财政年，本集团的经营活动产生强劲的净现金，加上改进了的债务管理，使得本集团从经营活动取得净现金流量达约5720万元人民币。

于2015财政年，本集团取得了约2640万元人民币的净现金流入量，而当中约1510万元人民币以及约1560万元人民币分别用于投资活动和融资活动。

2015财政年重大企业事项

本着安全第一的运营模式以及遵守新的安全规范，本集团已在附近物色了一块适用的土地，面积约133,334平方米，用作建设额外仓储及库存设施，存放民爆器材。建造仓储及库存设施预计大约需要花费2年的时间，其中相关的资本投资需约8460万元人民币。

另外，于2014年12月举办的中国年度民爆企业大会上，中国监管机构宣布放开对民爆器材产品价格的管控。这代表着所有于中国国内生产的民爆器材可自由地在中国市场中进行行销和交易。

虽然政策措施预计将开拓新的市场机会，但也可能引来额外的市场竞争。有鉴于此，本集团已重组其销售及市场营销团队。同时，管理团队也会密切关注市场环境发展变化的趋势，以便灵活地调整市场营销策略。

通过本集团所实行的重组计划，我们将在这个独特及特殊的行业里，于2015年财政年开始，开启新的发展阶段。我们也致力在市场上获取规模经济效益，并将在市场环境好转后，把握新商机。

鸣谢

我谨代表董事会，感谢股东们近年来给予本集团坚定不移的支持，推动我们不断提升竞争力，创造长期价值。

此外，我也在此向董事同仁通过其丰富经验和专业知识所给予的真知卓见和指导表达由衷的感激。

最后，我也想借此机会，感激所有努力不懈的员工以及生意伙伴们不断给予坚定的支持和对于本集团的信任。我们期待在新的一年里，继续为本集团的业务奠下更稳固的基础。

谢谢！

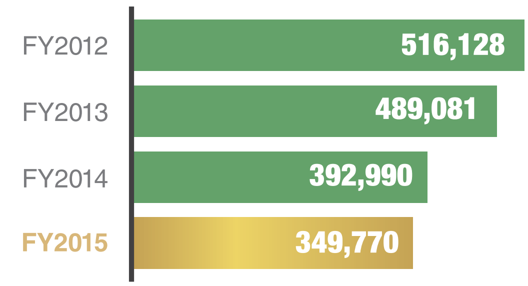
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR-END MARCH	FY2012 RMB'000	FY2013 RMB'000	FY2014 RMB'000	FY2015 RMB'000
REVENUE BY PRODUCT SEGMENTS				
Explosive Devices	131,160	165,541	126,227	142,089
Industrial Fuse and Initiating Explosive Devices	95,392	105,576	89,505	95,217
Industrial Detonators	87,406	85,802	91,678	75,100
Ammonium Nitrate	201,293	131,102	85,101	36,852
Others	427	1,060	479	512
OPERATING RESULTS				
Revenue	516,128	489,081	392,990	349,770
Gross Profit	159,906	133,454	94,506	108,028
Profit/(Loss) before Income Tax	82,407	56,152	(42,398)	26,589
Profit/(Loss) Attributable to Shareholders	60,015	31,508	(57,543)	13,072
Profit Attributable to Shareholders before impairment loss[1]	60,015	31,508	2,457	13,072
EBITDA[2]	103,645	80,244	46,377	55,196
BALANCE SHEET				
Non-Current Assets	342,331	386,493	341,800	332,244
Current Assets	333,780	314,414	261,077	286,791
Current Liabilities	230,392	235,374	205,330	213,122
Non-Current Liabilities	5,313	5,144	3,781	1,691
Shareholders' Equity	440,406	460,389	393,766	404,222
CASH FLOW				
Net Cash From Operating Activities	32,221	137,309	43,732	57,208
Net Cash Used in Investing Activities	(25,080)	(158,144)	(43,331)	(15,131)
Net Cash (Used In)/From Financing Activities	(5,041)	37,703	(20,939)	(15,642)

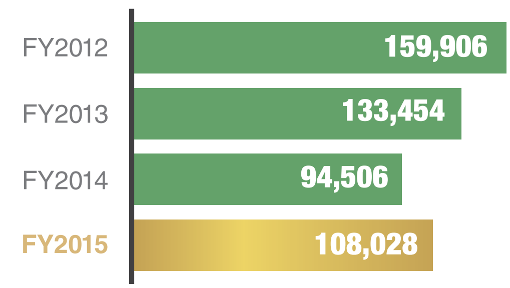
[1] Impairment loss on property, plant, and equipment of RMB 60.0 million

[2] Earnings before Interest, Tax, Depreciation, Amortisation and Impairment Loss[1]

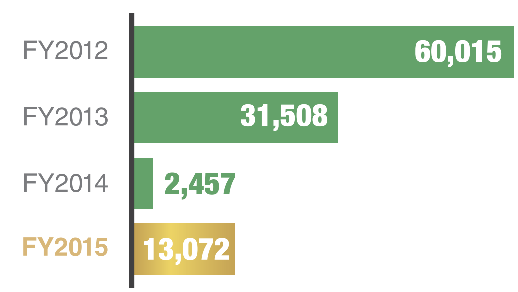
REVENUE
(RMB'000)



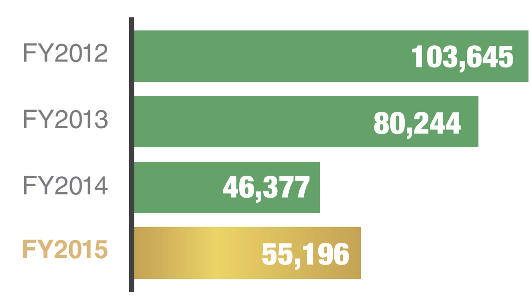
GROSS PROFIT
(RMB'000)



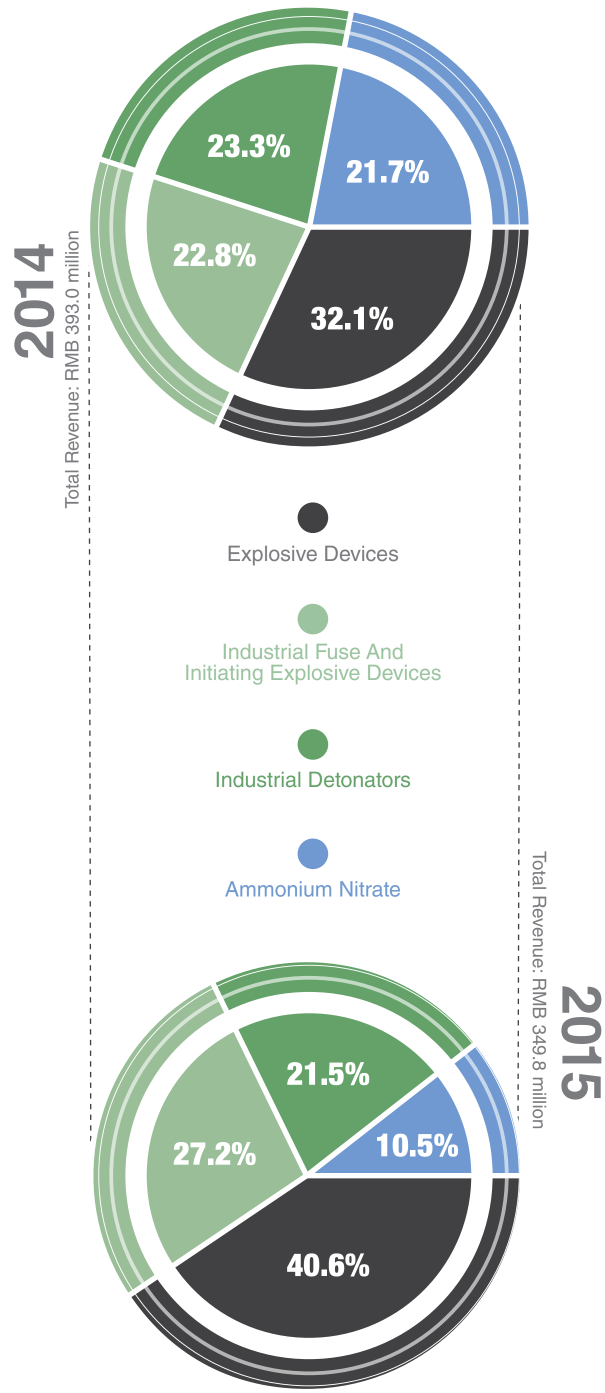
PROFIT ATTRIBUTABLE TO SHAREHOLDERS BEFORE IMPAIRMENT LOSS
(RMB'000)



EBITDA
(RMB'000)



REVENUE BY PRODUCT SEGMENTS



Demand for our products from renown overseas customers continues to grow, attesting to the reliability and quality of our products, that are key cornerstones of our market differentiation strategy.

Broadening Our Overseas Reach

BOARD OF DIRECTORS

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.

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.

BOARD OF DIRECTORS

Simon Hunter Atkinson
Non-Executive Director

Simon Hunter Atkinson is our Non-Executive Director and was appointed on 1 October 2013. Simon Atkinson was appointed to his current role as President, Dyno Nobel Asia Pacific and Global Technology, a business of Incitec Pivot Limited, in January 2014 and in that role, he is responsible for Dyno Nobel's operations in Australia, Indonesia, PNG and Europe and the Global Marketing and Technology function. Simon has a long and experienced history as a finance professional having held a number of commercial CFO positions and positions within the accounting profession. He has extensive commercial finance experience, having previously been Incitec Pivot's Deputy CFO and Investor Relations Manager (2006- 2009), and Commercial Finance Manager for the Australian fertilisers business (2003-2006). In 2009, Simon was appointed Global CFO for Dyno Nobel and more recently was President of Dyno Nobel International (2010-2013) overseeing Dyno Nobel's international operations in emerging markets. Simon holds a Bachelor of Business from Deakin University Australia and is a Chartered Accountant (Australia).

Ong Tai Tiong Desmond
Lead Independent Director

Ong Tai Tiong Desmond is our Independent Director and was appointed on 17 February 2006. Mr Ong has been practicing with JLC Advisors LLP since April 2014. Mr Ong is also an independent director of Ecowise Holdings Limited as well as a director of Singapore Dance Theatre Ltd. Prior to his current appointment, he was practicing with Solitaire 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 Chartered Accountant of 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"), an Accredited Training Organisation, 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 Chartered 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 a Professor with Nanjing University of Science and Technology (南京理工大 学) and also the chief technical specialist with National Quality Supervision and Inspection Center for Industrial Explosive Materials（国家民用爆破器材质量监督检验中心首席技术专家）("NQSIC"), where he previously had served as permanent deputy chairman. Authorised by the Chinese government quality assurance and certification agencies, NQSIC provides independent assessments and certifications of commercial explosives products manufactured in China. Professor Jiang is also currently serving as a member in the Experts Committee of Commercial Explosives Industry of China (国家民爆器材行业专家委员会委员) and also as a member in the Safety Experts Committee of 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民爆器材行业安全专家委员会委员) ("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.

Preparing Our Roadmap Ahead

Our relentless commitment to high safety standards underpin the strong fundamentals of Fabchem's highly regulated and specialised business as we calibrate the strategies for future value creation.

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. 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 multinational 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 Chartered Accountant of 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 nonexecutive 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
Frankie Manuel Micallef	Non-Executive Director
Simon Hunter Atkinson	Non-Executive Director
Ong Tai Tiong Desmond	Lead 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
#12-03
Singapore 159835

REGISTERED OFFICE
80 Robinson Road
#02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399

COMPANY REGISTRATION NUMBER
200413128G

REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01
Singapore Land Tower
Singapore 048623

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

Partner-in-charge:
Ng Thiam Soon
Appointment with effect from financial year ended 31 March 2015

PRINCIPAL BANKERS
Industrial and Commercial Bank of China
(Fei County Sub-branch)
Feicheng Town, Minzhu Road,
East Section, Fei County,
Shandong 273400, PRC

FINANCIAL CONTENTS

SAFETY 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 are reported to the Audit Committee and disclosed in our Company's annual report every year.

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 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, equipment 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 fires.

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.

   Also, 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 on the surrounding areas. The premises of our production facilities also have safety bunkers for our staff to take shelter during potential explosions.

c) The production supervisor at each stage of our production process is responsible for the strict compliance with the relevant safety measures. Our transport manager is responsible for the strict compliance of safety measures during the transportation of raw materials and our products to and from our production facilities. They are our first-line of safety compliance officers. In respect of the transportation of raw materials and our products to and from our production facilities, we employ special container trucks that have been issued permits by the relevant authorities to transport explosives or materials that are explosive in nature. These container trucks are distinguished from normal trucks by their yellowish orange colour and their prominent "Explosive" labels to alert members of the public to the potentially dangerous contents of the trucks. As an added safety measure, the trucks are also fitted with a fire prevention cap over their exhaust pipes and lined with wooden planks on the inside.

We have not experienced any explosion of any magnitude at our production facilities or during the transportation of the raw materials or our products since we commenced our operations. Our Directors believe that based on the safety measures currently undertaken by our Group, the possibility of any explosions occurring at our production facilities or during the transportation of raw materials or our products have been kept to the minimum.

In addition to our internal checks, the relevant authorities also conduct safety checks on our operations and provide their opinions and recommendations. After the checks, any issues were promptly rectified. Following the explosive accident that occurred at an unrelated commercial explosives manufacturing plant in Shandong, the authorities heightened safety checks. Safety checks by the authorities for the financial year are described below:-

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

b) The Commission of Science and Technology of Shandong conducted three inspections on our factory and warehouse safety procedures.

c) The Linyi Economic and Information Technology Committee conducted a total of five inspections on our factory and warehouse safety procedures.

d) Fei County Economic & Information Technology Bureau conducted a total of fifteen inspections on our factory and warehouse safety procedures.

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 2015, we had a security team comprising 154 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.

CORPORATE GOVERNANCE REPORT

Fabchem China Limited (the "Company") is strongly 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 (the "Subsidiaries") (collectively the "Group"). The board of directors of the Company (the "Board") recognises the importance of good corporate governance and the offering of high standards of accountability to the shareholders.

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012.

The Company is generally in compliance with the principles and guidelines as set out in the Code and in areas where there are deviations from the Code, appropriate explanations are provided within this report. The Board considers that the alternative corporate governance practices are sufficient to meet the underlying objective of the Code.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

<u>Corporate Governance Practices of the Company</u>

The primary role of the Board is to protect and enhance long-term 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 manages the Group in the best interests of shareholders as well as the interest of other stakeholders and pursues the continual enhancement of the long-term shareholder value.

All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the best interests of the Company.

To assist the Board in the execution of its responsibilities, various Board Committees, namely the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC") have been constituted with clearly defined terms of reference.

Minutes of the Board Committee meetings are available to all Board members.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

Please refer to Table 1 – Board and Board Committees.

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 and Board Committees may also make decisions through circulating resolutions.

Please refer to Table 2 – Attendance at Board and Board Committee Meetings for the financial year ended 31 March 2015 ("FY2015").

The Board's approval is required for the following matters that are likely to have a material impact on the Group's operations as well as matters other than in the ordinary course of business:

1. Major investment and funding
2. Interested Person Transactions
3. Material acquisition and disposal of assets
4. Corporate strategic direction and strategic action plans
5. Issuance of policies and key business initiatives

New directors, upon appointment, will be briefed on the business and organisation structure of the Group, key areas of the Company's operations and on their duties and obligations as directors.

Directors of the Company will also be updated from time to time of any news or changes to companies and securities legislation, rules and regulations. The Directors also received updates on the business of the Group through regular schedule meetings and ad-hoc Board Meetings.

The Company has on on-going budget for all directors to attend appropriate courses, seminars and conferences for them to stay abreast of the relevant business developments.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Corporate Governance Practices of the Company

Please refer to Table 1 – Board and Board Committee.

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 was satisfied that the Company complies with the guidelines of the Code including the guideline that at least one-third of the Board is made up of independent directors. The NC 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. In addition to the annual review by the NC of the independence of the independent directors, each independent director also submits an annual declaration confirming his continued independence.

As the Chairman of the Board is not an independent director, it is recommended by the Code that the independent directors should make up at least half of the Board. The Board is of the opinion that the Company currently has a diversified Board with 8 members from different background (legal, finance and industry experts) and countries (Singapore, China and Australia). Among the 8 members are 3 Independent Directors, hence, independent views are well represented in the Board.

Mr Ong Tai Tiong Desmond has served on the Board as independent non-executive director for more than nine years. The NC and the Board have carried out a rigorous review of the independence status of Mr Ong. The NC and the Board are of the view that Mr Ong continues to demonstrate ability to exercise strong independent judgment in his deliberation and act in the best interests of the Company and that his length of service on the Board has not affected his independence from Management. Mr Ong continues to express his views and debate issues in connection with the Company's matters and Management's actions. Further, having gained in depth understanding of the business and operating environment of the Group, he provides the Company with the relevant experience and knowledge of the industry. After taking all these factors into account and having weighed the need for Board refreshment against tenure for relative benefit, the NC and the Board (save for Mr Ong who abstained from deliberation of this matter) have reviewed and determined that Mr Ong continues to be independent, notwithstanding his length of service on the Board and he shall continue to hold the position of Independent Director of the Company.

The NC is responsible for examining the size and composition of the Board and Board Committees. Taking into account the nature of the Group's businesses, the Board considers a board size of between 6 to 9 members as appropriate. The Board believes that its current board size and composition effectively serves the Group. It provides sufficient diversity without interfering with efficient decision-making.

The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business. Currently, the Board comprises individuals from different countries, namely China, Singapore and Australia, and with diverse qualifications and backgrounds, including in law, accounting, finance, investments and the relevant business industry that the Group is in.

The Board recognizes the importance of an appropriate balance and diversity of skills, experience, gender, knowledge and professional qualifications in building an effective Board. For this purpose, the NC reviews the Board's collective skills matrix regularly.

The independent directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development.

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.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Corporate Governance Practices of the Company

The Board had adopted the recommendation of the Code to have separate persons appointed as Chairman and the Chief Executive Officer. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

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.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable power or influence. Further, the AC, RC and NC are chaired by Independent Directors.

The Board had adopted the recommendation of the Code to appoint Mr Ong Tai Tiong Desmond to be the lead independent director as the non-executive Chairman is not an independent director. Mr Ong Tai Tiong Desmond will be available to shareholders where they have concerns for which contact through the normal channels of the Chairman, the MD has failed to resolve or is inappropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

<u>Corporate Governance Practices of the Company</u>

Please refer to Table 1 – Board and Board Committee – on the composition of the NC.

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 principal functions of the NC is to establish a formal and transparent process for:

a) reviewing nominations of new Director appointments based on selection criteria such as incumbent's credentials and his/her skills and contributions required by the Company;

b) reviewing and recommending to the Board the re-election of Directors in accordance with the Company's Articles of Association;

c) determining annually whether a Director is "independent", guided by the independent guidelines contained in the Code;

d) deciding whether a Director is able to and has adequately carried out his/her duties as a Director of the Company, in particular whether the Directors concerned have multiple board representations or if they are in conflict with the interest of the Company; and deciding how the Board's performance may be evaluated and propose objective performance criteria;

e) deciding how the Board's performance may be evaluated and propose objective performance criteria.

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.

At the forthcoming AGM, Mr Bao Hongwei and Mr Frankie Manuel Micallef will be retiring by rotation pursuant to Article 107 of the Company's Articles of Association. Both of them, being eligible for re-election, have offered themselves for re-election.

Dr Lim Seck Yeow, who is over 70 years of age, will be retiring pursuant to Article 153 of the Company's Articles of Association and he being eligible for re-election, has offered himself for re-election.

New directors are appointed by way of a Board Resolution, after the NC has approved their nomination. In its search and selection process for new directors, other than through formal search, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates and appraises the nominees to ensure that the candidates possess relevant experience and have the calibre to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the Group.

Notwithstanding that some of the directors have multiple board representations, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company and each director is able to and has been adequately carrying our his duties as a director of the Company.

The NC and the Board are of the standpoint that setting a maximum number of listed company board representations would not be meaningful as the contributions of the directors would depend on many other factors such as whether they are in full time employment and their other responsibilities or principal commitments. In addition, the board representations presently held by its directors do not impede the performance of their duties to the Company.

All directors are required to declare their board representations and other principal commitments. In view of the review process that the NC has put in place and the confirmation obtained from each individual director that he has the individual responsibility to ensure that he can allocate sufficient time and attention to the affairs of the Company, the Board does not adopt any internal guidelines for multiple listed board representations for its directors.

No alternate director has been appointed to the Board.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The NC then meets with the shortlisted potential candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as director.

The profile of all Board members is set out in the section entitled 'Board of Directors'

Please refer to Table 3 – Date of Directors' initial appointment and last re-election and their directorships.

Except as disclosed in Table 3, there were no other directorships or chairmanships held by the directors over the preceding three years in other listed companies.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

<u>Corporate Governance Practices of the Company</u>

The Board, through the NC, has used its best efforts to ensure that directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has adopted a formal process to assess the performance and 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.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Corporate Governance practices of the Group

All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with accurate and detailed information in a timely manner concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management.

As a general rule, detailed Board papers prepared for each meeting are normally circulated in advance of each meeting. This is to give directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board and Board Committees meetings. Such explanatory information may also be in the form of briefings to provide additional insights to the directors or formal presentations made by senior management staff in attendance at the meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the Company Secretary and to other senior management executives of the Group at all times in carrying out their duties.

The Management provided to the Board members with the management accounts on a quarterly basis, as well as adequate information prior to Board meetings and updates on initiatives and developments of the Group's business whenever possible, on an on-going basis.

The Board members have separate and independent access to the Company's senior management. The Board members (whether individually or as a group) have, in the furtherance of their duties, access to independent professional advice, if necessary, at the Company's expense.

The Company Secretary or her nominee administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

The directors, in furtherance of their duties, are entitled to take independent professional advice at the expense of the Company when necessary.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: 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.

Corporate Governance Practices of the Company

Please refer to Table 1 – Board and Board Committee – on the composition of the RC.

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.

The Company had engaged an independent party to conduct a review on the remuneration packages of the Company's Directors and Executive Officers to bench mark their remuneration packages. The RC had duly reviewed the Benchmarking Report and made recommendation to the Board for the adjustments in the remuneration packages in accordance to the independent party's recommendations accordingly which was accepted by the Board.

The Company has no termination benefits.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

ANNUAL REMUNERATION REPORT

REMUNERATION POLICY IN RESPECT OF EXECUTIVE DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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 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.

LONG-TERM INCENTIVE PLANS

The Company does not have long-term incentive scheme.

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.

In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

LEVEL AND MIX OF REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (WHO ARE NOT ALSO DIRECTORS OR THE CEO) FOR THE YEAR ENDED 31 MARCH 2015.

Please refer to Table 4 – Remuneration Table

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.

Except as disclosed in Table 4 of this report, no Director has received or become entitled to receive a benefit 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.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

<u>Corporate Governance Practices of the Company</u>

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.

In line with the SGX Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the MD and the Finance Manager (FM) have provided assurance to the Board on the integrity of the Group's financial statements.

The Board and the Board committees are furnished with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. Management team and the Company's auditors would also provide additional information on the matters for discussion.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

<u>Corporate Governance Practices of the Company</u>

The AC reviews the adequacy of the Company's internal financial controls, operational and compliance controls, information technology 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, compliance risks and information technology controls and risk management systems, were adequate as at 31 March 2015.

The Board is satisfied that the system of internal procedures, controls and reviews that the Group has in place provides reasonable assurance against material financial misstatements or loss, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks. The Board, with the concurrence of the Audit Committee, is therefore of the opinion that the Group's system of internal controls is adequate to address financial, operational, compliance and information technology controls, and risk management systems of the Group in its current business environment.

The AC and the Board has received assurance from the MD and the FM that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control systems.

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.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Please refer to Table 1 – Board and Board Committee – on the composition of the AC.

The Board is of the view that the members of the AC, individually or collectively, have expertise and experience in financial management and regulatory requirement are qualified to discharge the AC's responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any executive director or executive officer to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

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, information technology control and risk management policies and systems established by the management.

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 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$75,000. The non-audit services provided by the external auditors for the financial year ended 31 March 2015 was S$2,500. 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.

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.

There were no reported incidents pertaining to whistle-blowing for FY2015.

As at the date of this Annual Report, the AC has met with the external auditors separately without the presence of Management to review any area of audit concern.

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.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audit.

Corporate Governance Practices of the Company

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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Corporate Governance Practices of the Company

The Company is committed to engage in regular and timely communication with shareholders as part of the organisation's development to build systems and procedures that will enable the Group to compete internationally. The Company places great emphasis on investor relations and strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Group's performance, financial position and prospects.

Management supported the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days or 21 days, as the case may be, before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend AGMs.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company has not put in place an investor relations policy to promote regular and proactive communication with shareholders. The Company will review such need going forward.

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.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act (Cap 50) of Singapore, the Board's policy is that all shareholders should be equally and timely informed of all major developments that will impact the Company or the Group. Information is communicated to shareholders on a timely basis through the Singapore Exchange Network (the "SGXNET") and the press.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Corporate Governance Practices of the Company

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET.

If shareholders are unable to attend the meetings, the Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.

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.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the directors or the Management questions regarding the Company and its operations.

The Board noted that the SGX-ST had on 31 July 2013 introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. The Company would be required to conduct its voting at general meetings by poll effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board noted that the new rule will enhance transparency of the voting process and encourage greater shareholder participation. Taking into account of the effective date of the new ruling and subject to the Company's consideration of cost efficiency and effectiveness, the Board has decided that the resolutions to be put forth for voting at the forthcoming AGM will be voted by way of show of hands. The Company will nevertheless adopt the voting of all resolutions tabled at general meetings held on or after 1 August 2015 to be voted by way of poll. Results of the poll will be announced via the SGXNET. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Group has a dividend policy of distributing at least 10% of profit attributable to shareholders every financial year.

DEALING IN SECURITIES

The Group has adopted an internal code in relation to dealings in the Company's securities pursuant to rule 1207(19) 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.

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 2015.

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 2015, the following Interested Person Transactions were entered into by the Group:

		Aggregate value of all interested person transaction (excluding transactions less than $100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
		FY2015	FY2014	FY2015	FY2014
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Minbao Qicai Co., Ltd [1]	Sales of ammonium nitrate	5,233	13,643	2,511	–
Shandong Yinguang Security Services Co., Ltd	Provision of security services	7,200	–	–	–
Zaozhuang Yinguang Construction Co., Ltd	Provision of construction and renovation service	757	–	–	–
Dyno Nobel [2]	Sales of commercial explosives	–	–	37,150	19,710

Footnotes:

(1) The relevant general mandate was approved at the Extraordinary General Meeting held on 25 July 2014. As such, transactions after 25 July 2014 will then be considered as conducted under shareholders mandate pursuant to Rule 920.

(2) The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011 and was updated and approved at the Annual General Meeting held on 25 July 2014.

USE OF PROCEEDS

For the financial year ended 31 March 2015, the Group has a total unutilised IPO proceeds of approximately RMB2.0 million (FY2014: 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.

TABLE 1 – BOARD AND BOARD COMMITTEES

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Dr Lim Seck Yeow	Non-Executive Chairman/Non-Independent	Member	Member	Member
Sun Bowen	Executive/Non-Independent	–	–	–
Bao Hongwei	Executive/Non-Independent	–	–	–
Ong Tai Tiong Desmond	Non-Executive/Independent	Member	Chairman	Chairman
Wee Phui Gam	Non-Executive/Independent	Chairman	Member	Member
Prof. Jiang Rongguang	Non-Executive/Independent	–	–	–
Frankie Manuel Micallef	Non-Executive/Non-Independent	–	–	–
Simon Hunter Atkinson	Non-Executive/Non-Independent	–	–	–

TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

	BOARD		AUDIT		REMUNERATION		NOMINATING	
	# No. of Meetings	No of Meetings Attended	# No. of Meetings	No of Meetings Attended	# No. of Meetings	No of Meetings Attended	# No. of Meetings	No of Meetings Attended
Dr Lim Seck Yeow	4	4	4	4	1	1	1	1
Sun Bowen	4	4	–	–	–	–	–	–
Bao Hongwei	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
Prof. Jiang Rongguang	4	4	–	–	–	–		–
Frankie Manuel Micallef	4	4	–	–	–	–	–	–
Simon Hunter Atkinson	4	4	–	–	–	–	–	–

No. of meetings held whilst a member

TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT & LAST RE-ELECTION & THEIR DIRECTORSHIPS

Name of Director	Age	Appointment	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past (preceding 3 years) directorships in listed companies	Other principal commitments
Dr Lim Seck Yeow	77	Non-Independent Director and Non-Executive Chairman	12 October 2004	25 July 2014	Nil	Nil	Nil
Sun Bowen	64	Managing Director	16 June 2005	25 July 2014	Nil	Nil	Nil
Bao Hongwei	45	Executive Director & General Manager	16 June 2005	27 July 2012	Nil	Nil	Nil
Ong Tai Tiong Desmond	46	Independent Director	17 February 2006	25 July 2013	Ecowise Holdings Limited	China Powerplus Limited	Practicing Lawyer at JLC Advisors LLP
Wee Phui Gam	61	Independent Director	15 October 2009	25 July 2014	Nil	Nil	Practicing Certified Public Accountant at P G Wee Partnership LLP

Name of Director	Age	Appointment	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past (preceding 3 years) directorships in listed companies	Other principal commitments
Prof. Jiang Rongguang	64	Independent Director	11 October 2010	25 July 2013	Nil	Nil	Chief Technical Specialist in initiation systems of the Commercial Explosives Technology of Nanjing University Of Science and Technology
Frankie Manuel Micallef	52	Non-Executive Director	1 April 2012	27 July 2012	Nil	Nil	Chief Financial Officer at Incitec Pivot Limited
Simon Hunter Atkinson	47	Non-Executive Director	1 October 2013	25 July 2014	Nil	Nil	President of Dyno Nobel Asia Pacific & Global Tecnology

TABLE 4 – REMUNERATION TABLE

a) Directors' remuneration

For competitive reasons, the Company is not disclosing the annual remuneration of each individual Director for the financial year ended 31 March 2015. 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* (%)	Fixed Salary (%)	Profit sharing (%)
Executive Directors					
Sun Bowen	–	✓	–	62.1	37.9
Bao Hongwei	✓	–	–	59.1	40.9
Non-executive Directors					
Dr Lim Seck Yeow	✓	–	100	–	–
Frankie Manuel Micallef	✓	–	100	–	–
Simon Hunter Atkinson	✓	–	100	–	–
Independent Directors					
Ong Tai Tiong Desmond	✓	–	100	–	–
Wee Phui Gam	✓	–	100	–	–
Jiang Rongguang	✓	–	100	–	–

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

b) **Top Five Key Executives' Remuneration**

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 2015 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 2015 under review as follows:

Name of Key Executive	Below S$250,000	Percentage of Variable Remuneration (%)	Percentage of Fixed Remuneration (%)
Chen Rui	✓	–	100.0
Sun Qiang [(1)]	✓	–	100.0
Yang Xingdong	✓	–	100.0
Kwek Wei Lee	✓	18.6	81.4
Chen Hongyu	✓	–	100.0

The annual aggregate remuneration paid to the top five key management personnel is approximately S$492,000.

c) **Immediate families of Directors**

Sun Qiang is the son of the Managing Director whose remuneration did not exceeded S$50,000 during the financial year ended 31 March 2015. Apart from him, no employee of the company and its subsidiary is an immediate family member of a director and whose remuneration exceeded S$50,000 during the financial year ended 31 March 2015.

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 2015.

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
Frankie Manuel Micallef
Simon Hunter Atkinson
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 (the "Act") except as follows:

	Direct Interest	
Name of directors and company in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**
The Company	**Number of shares of no par value**	
Bao Hongwei	4,788,000	4,788,000

	Deemed Interest	
The Company	**Number of shares of 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 2015 were the same as those at the end of the reporting year.

By virtue of section 7 of the Act, 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 (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.

- 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 Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. 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 auditor, RSM Chio Lim LLP, has expressed their willingness to accept re-appointment.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that company's internal controls, addressing financial, operational, compliance risks and information technology controls and risk management systems, were adequate as at the end of the reporting year 31 March 2015.

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 29 May 2015, 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

8 June 2015

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 2015 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

8 June 2015

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 2015, 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 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 statement 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 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 2015 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

8 June 2015

Partner-in-charge of audit: Ng Thiam Soon
Effective from year ended 31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2015

	Notes	Group 2015	Group 2014
		RMB'000	RMB'000
Revenue	5	349,770	392,990
Cost of sales		(241,742)	(298,484)
Gross profit		108,028	94,506
Other items of income			
Interest income	6	1,148	665
Other gains	7	1,798	2,279
Other items of expense			
Distribution costs		(27,158)	(28,824)
Administrative expenses		(41,451)	(41,203)
Finance costs	6	(6,840)	(6,905)
Other losses	7	(8,936)	(62,916)
Profit / (Loss) before tax from continuing operations		26,589	(42,398)
Income tax expense	9	(13,517)	(15,145)
Profit / (Loss) from continuing operations, net of tax		13,072	(57,543)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(314)	(1,162)
Total comprehensive income / (loss)		12,758	(58,705)
		RMB	RMB
Earnings / (loss) per share		Cents	Cents
- Basic	10	5.59	(24.59)
- Diluted	10	5.59	(24.59)

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2015

	Notes	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
Assets					
Non-current assets					
Property, plant and equipment	13	238,014	243,687	119	232
Intangible assets	14	–	3,953	–	–
Other assets, non-current	15	90,128	90,977	–	–
Investment in subsidiaries	16	–	–	100,411	110,386
Deferred tax assets	9	4,102	3,183	–	–
Total non-current assets		332,244	341,800	100,530	110,618
Current assets					
Inventories	17	61,893	63,874	–	–
Trade and other receivables, current	18	87,101	90,006	22,512	16,167
Other assets, current	15	11,889	7,724	127	142
Cash and cash equivalents	19	125,908	99,473	920	600
Total current assets		286,791	261,077	23,559	16,909
Total assets		619,035	602,877	124,089	127,527
Equity and liabilities					
Equity					
Share capital	20	116,849	116,849	116,849	116,849
Retained earnings		201,233	194,706	16,204	9,720
Other reserves	21	86,140	82,211	(12,815)	(2,527)
Total equity		404,222	393,766	120,238	124,042
Non-current liabilities					
Deferred tax liabilities	9	1,691	3,781	–	–
Total non-current liabilities		1,691	3,781	–	–
Current liabilities					
Income tax payable		2,745	689	–	–
Trade and other payables, current	23	115,319	102,903	3,851	3,485
Other financial liabilities, current	22	83,672	90,172	–	–
Other liabilities, current	24	11,386	11,566	–	–
Total current liabilities		213,122	205,330	3,851	3,485
Total liabilities		214,813	209,111	3,851	3,485
Total equity and liabilities		619,035	602,877	124,089	127,527

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2015

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 2014	393,766	116,849	194,706	44,000	37,981	230
Movements in equity:						
Dividends paid (Note 11)	(2,302)	–	(2,302)	–	–	–
Total comprehensive income for the year	12,758	–	13,072	–	–	(314)
Appropriation for the year (Note 21)	–	–	(4,243)	–	4,243	–
Closing balance at 31 March 2015	404,222	116,849	201,233	44,000	42,224	(84)
Previous year:						
Opening balance at 1 April 2013	460,389	116,849	263,139	44,000	35,009	1,392
Movements in equity:						
Dividends paid (Note 11)	(7,918)	–	(7,918)	–	–	–
Total comprehensive loss for the year	(58,705)	–	(57,543)	–	–	(1,162)
Appropriation for the year (Note 21)	–	–	(2,972)	–	2,972	–
Closing balance at 31 March 2014	393,766	116,849	194,706	44,000	37,981	230

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 2014	124,042	116,849	9,720	(2,527)
Movements in equity:				
Dividends paid (Note 11)	(2,302)	–	(2,302)	–
Total comprehensive income for the year	(1,502)	–	8,786	(10,288)
Closing balance at 31 March 2015	120,238	116,849	16,204	(12,815)
Previous year:				
Opening balance at 1 April 2013	146,419	116,849	27,299	2,271
Movements in equity:				
Dividends paid (Note 11)	(7,918)	–	(7,918)	–
Total comprehensive loss for the year	(14,459)	–	(9,661)	(4,798)
Closing balance at 31 March 2014	124,042	116,849	9,720	(2,527)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	2015 RMB'000	2014 RMB'000
Cash flows from operating activities		
Profit/(Loss) before tax	26,589	(42,398)
Adjustments for:		
Allowance for impairment on trade and other receivables – loss	5,779	1,370
Allowance for impairment on trade and other receivables – reversal	(13)	(171)
Allowance for impairment on inventories – loss	–	328
Amortisation of other intangible assets and land use rights	3,729	3,664
Bad debts written-off	6	5
Depreciation of property, plant and equipment	19,879	20,561
Impairment of property, plant and equipment	–	60,000
Intangible assets written-off	3,091	–
Inventories written-off	19	–
Loss on disposal of plant and equipment	–	1,213
Property, plant and equipment written-off	41	–
Provision for safety expenses	3,977	4,437
Write-back of creditors	–	(1,255)
Net effect of exchange rate changes in translation of financial statements of parent	(300)	(1,156)
Interest expense	6,840	6,905
Interest income	(1,148)	(665)
Operating cash flows before changes in working capital	68,489	52,838
Inventories	1,962	(1,122)
Trade and other receivables	(2,867)	23,715
Other assets	(4,165)	7,356
Trade and other payables	9,698	(26,205)
Other liabilities	(1,439)	3,722
Net cash flows from operations before tax	71,678	60,304
Income taxes paid	(14,470)	(16,572)
Net cash flows from operating activities	57,208	43,732
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	–	698
Purchase of property, plant and equipment	(14,261)	(43,550)
Purchase of land use rights	(2,018)	(1,144)
Interest received	1,148	665
Net cash flows used in investing activities	(15,131)	(43,331)
Cash flows from financing activities		
Dividends paid	(2,302)	(7,918)
Proceeds from bank borrowings	126,500	126,000
Repayment of borrowings	(133,000)	(132,109)
Repayment of lease liabilities	–	(7)
Interest paid	(6,840)	(6,905)
Net cash flows used in financing activities	(15,642)	(20,939)
Net increase / (decrease) in cash and cash equivalents	26,435	(20,538)
Cash and cash equivalents, statement of cash flows, beginning balance	99,473	120,011
Cash and cash equivalents, statement of cash flows, ending balance (Note 19)	125,908	99,473

The accompanying notes form an integral part of these financial statements

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 ("SGX-ST").

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. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. 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 subsidiaries. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

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 separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

2. Summary of significant accounting policies (cont'd)

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.

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 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. Dividend from equity instruments is recognised as income when the entity's right to receive dividend is established.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). 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.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have each participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute to a certain percentage to the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group.

2. Summary of significant accounting policies (cont'd)

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. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax 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.

Foreign currency transactions

The functional currency of the company 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 RMB4.4544 to S$1.00 (2014: RMB4.8969 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 RMB4.76223 to S$1.00 (2014: RMB4.88017 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 income and expense items for each statement presenting profit or loss and other comprehensive income 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 reporting entity.

2. Summary of significant accounting policies (cont'd)

Segment reporting

The group discloses financial and descriptive information about its consolidated 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

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that 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.

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. Grants in recognition of specific expenses are 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.

2. Summary of significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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 cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Intangible assets

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

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Licenses	–	10 years
Customer relationships	–	10 years

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 reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's 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 carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

2. Summary of significant accounting policies (cont'd)

Leases

Whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

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 of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 measured, 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.

2. Summary of significant accounting policies (cont'd)

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

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. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following 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.

2. Summary of significant accounting policies (cont'd)

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

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

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

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.

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. 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.

2. Summary of significant accounting policies (cont'd)

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

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 to the financial statements.

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.

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 currently or 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.

2. Summary of significant accounting policie (cont'd)

Critical judgements, assumptions and estimation uncertainties (cont'd)

Property, plant and equipment:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value in use calculations. 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 as disclosed in note 13 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 RMB238,014,000 (2014: RMB243,687,000).

Useful lives of plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is RMB122,042,000 (2014: RMB126,674,000).

Leasehold property and Land use rights:

The group has leasehold property and land use rights stated at carrying value of RMB101,653,000 (2014: RMB99,979,000) and RMB90,128,000 (2014: RMB90,977,000) 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 as disclosed in note 13 and 15.

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 on trade and other receivables.

2. Summary of significant accounting policies (cont'd)

Critical judgements, assumptions and estimation uncertainties (cont'd)

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.

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 related amounts are disclosed in note 14.

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). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3A. Related companies:

Related companies in these financial statements include 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 intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

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

3. Related party relationships and transactions (cont'd)

3B. Related parties other than related companies:

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 related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Significant related party transactions:

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

	Group	
	Other related parties	
	2015	2014
	RMB'000	RMB'000
Sales of goods	(54,667)	(45,136)
Rental expenses	–	77
Purchase of goods	494	701
Security services	7,200	–
Freight charges	4,219	5,315

The above related parties are director related companies.

3C. Key management compensation:

	Group	
	2015	2014
	RMB'000	RMB'000
Salaries and other short-term employee benefits	6,008	5,433

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

	2015	2014
	RMB'000	RMB'000
Remuneration of directors of the company	2,076	1,774
Fees to directors of the company	1,600	1,640

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

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

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties:

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

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

Other related parties	Group 2015 RMB'000	Group 2014 RMB'000
Other payables:		
Balance at beginning of the year	(1,301)	(2,468)
Amounts paid out and settlement of liabilities on behalf of related parties	5,412	7,183
Amounts paid in and settlement of liabilities on behalf of the company	(4,713)	(6,016)
Balance at end of the year (Note 23)	(602)	(1,301)

Related parties refer to companies in which a director or his immediate family have significant or controlling interest.

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 reporting entity.

For management purposes the report entity 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 with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services 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.

4. Financial information by operating segments (cont'd)

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are 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.

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 2015						
Revenue by Segment	142,089	95,217	75,100	36,852	512	349,770
Total revenue	142,089	95,217	75,100	36,852	512	349,770
Recurring EBITDA	50,867	34,692	27,705	(15,004)	275	98,535
Depreciation	(3,276)	(4,605)	(7,692)	(333)	(3,973)	(19,879)
Amortisation	(382)	–	(233)	(1,141)	(1,973)	(3,729)
ORBIT	47,209	30,087	19,780	(16,478)	(5,671)	74,927
Interest income					1,148	1,148
Finance costs					(6,840)	(6,840)
Unallocated corporate expenses					(42,646)	(42,646)
Profit before tax from continuing operations						26,589
Income tax expense						(13,517)
Profit from continuing operations						13,072

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations (cont'd)

	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 2014						
Revenue by Segment	126,227	89,505	91,678	85,101	479	392,990
Total revenue	126,227	89,505	91,678	85,101	479	392,990
Recurring EBITDA	27,493	31,477	32,586	(4,848)	137	86,845
Depreciation	(2,511)	(1,306)	(6,959)	(5,167)	(4,618)	(20,561)
Amortisation	(212)	–	(232)	(1,140)	(2,080)	(3,664)
Impairment of property, plant and equipment	–	–	–	(60,000)	–	(60,000)
ORBIT	24,770	30,171	25,395	(71,155)	(6,561)	2,620
Interest income					665	665
Finance costs					(6,905)	(6,905)
Unallocated corporate expenses					(38,778)	(38,778)
Loss before tax from continuing operations						(42,398)
Income tax expense						(15,145)
Loss from continuing operations						(57,543)

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
2015						
Total assets for reportable segments	73,729	80,659	94,218	64,675	–	313,281
Unallocated:						
Property, plant and equipment					56,227	56,227
Other assets, non-current					43,252	43,252
Deferred tax assets					4,102	4,102
Inventories					20,848	20,848
Trade and other receivables					79,223	79,223
Other assets, current					6,278	6,278
Cash and cash equivalents					95,824	95,824
Total group assets	73,729	80,659	94,218	64,675	305,754	619,035

4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations (cont'd)

	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
<u>2014</u>						
Total assets for reportable segments	68,416	83,303	102,792	67,621	–	322,132
Unallocated:						
Property, plant and equipment					53,299	53,299
Other assets, non-current					43,035	43,035
Deferred tax assets					3,183	3,183
Inventories					22,449	22,449
Trade and other receivables					65,858	65,858
Other assets, current					4,470	4,470
Cash and cash equivalents					88,451	88,451
Total group assets	68,416	83,303	102,792	67,621	280,745	602,877

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
<u>2015</u>						
Total liabilities for reportable segments	2,041	901	2,382	87,165	–	92,489
Unallocated:						
Deferred tax liabilities					1,691	1,691
Income tax payable					2,745	2,745
Trade and other payables					68,282	68,282
Other liabilities					4,106	4,106
Other financial liabilities					45,500	45,500
Total group liabilities	2,041	901	2,382	87,165	122,324	214,813

4. Financial information by operating segments (cont'd)

4D. Liabilities and reconciliations (cont'd)

	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
2014						
Total liabilities for reportable segments	2,175	1,182	2,768	72,317	–	78,442
Unallocated:						
Deferred tax liabilities					3,781	3,781
Income tax payable					689	689
Trade and other payables					73,023	73,023
Other liabilities					5,176	5,176
Other financial liabilities					48,000	48,000
Total group liabilities	2,175	1,182	2,768	72,317	130,669	209,111

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
Impairment of assets:						
2015	–	–	–	–	–	–
2014	–	–	–	60,000	–	60,000
Other non-cash expenses other than depreciation/amortisation:						
2015	–	–	–	6,423	2,500	8,923
2014	–	–	–	–	319	319
Expenditures for non-current assets:						
2015	2,495	4,453	3,160	137	6,034	16,279
2014	4,317	19,102	2,449	7,670	9,156	42,694

4. Financial information by operating segments (cont'd)

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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within PRC	221,806	277,403	328,024	338,385
Outside PRC:				
Sales through export distributors	14,303	12,930	–	–
Australia	100,337	95,004	–	–
Singapore	–	–	118	232
Others (*)	13,324	7,653	–	–
Subtotal	127,964	115,587	118	232
Total continuing operations	349,770	392,990	328,142	338,617

(*) Others include Kyrgyzstan, Mongolia, Indonesia

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

4G. Information about major customers

	Group	
	2015	2014
	RMB'000	RMB'000
Top 1 customer in explosives devices segment	60,995	60,758

5. Revenue

	Group	
	2015	2014
	RMB'000	RMB'000
Sale of goods	349,770	392,990

6. Interest income and (finance costs)

	Group	
	2015	2014
	RMB'000	RMB'000
Interest income	1,148	665
Bank interest expense	(6,840)	(6,905)
Net	(5,692)	(6,240)
Presented in profit or loss as:		
Interest income	1,148	665
Finance costs	(6,840)	(6,905)
Net	(5,692)	(6,240)

7. Other gains and (other losses)

	Group	
	2015	2014
	RMB'000	RMB'000
Bad debts written-off trade receivables	(6)	(5)
Write-back of payables	–	1,255
Foreign exchange adjustment gains	1,124	47
Loss on disposal of property, plant and equipment	–	(1,213)
Intangible assets written-off	(3,091)	–
Inventories written-off	(19)	–
Government grant	661	806
Property, plant and equipment written-off	(41)	–
Allowance for impairment on trade and other receivables - loss	(5,779)	(1,370)
Allowance for impairment on trade and other receivables - reversal	13	171
Allowance for impairment on inventories – loss	–	(328)
Impairment allowance on property, plant and equipment	–	(60,000)
Net	(7,138)	(60,637)
Presented in profit or loss as:		
Other gains	1,798	2,279
Other losses	(8,936)	(62,916)
Net	(7,138)	(60,637)

8. Employee benefits expense

	Group 2015	Group 2014
	RMB'000	RMB'000
Employee benefits expense	49,969	62,400
Contributions to defined contribution plans	13,320	13,810
Total employee benefits expense	63,289	76,210

The employee benefit expense is charged as follows:

	Cost of Sales	Distribution Costs	Administrative Expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Group:				
2015	46,377	4,118	12,794	63,289
2014	56,614	4,743	14,853	76,210

9. Income tax

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

	Group 2015	Group 2014
	RMB'000	RMB'000
Current tax expense		
Current tax expense	16,052	10,287
Under adjustments to current tax in respect of prior periods	474	3,998
Subtotal	16,526	14,285
Deferred tax (income) expense		
Deferred tax (income) expense	(3,009)	860
Subtotal	(3,009)	860
Total income tax expense	13,517	15,145

9. Income tax (cont'd)

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

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2014: 17.0%) to profit before income tax as a result of the following differences:

	Group	
	2015	2014
	RMB'000	RMB'000
Profit/(Loss) Before Tax	26,589	(42,398)
Income tax expense/(income) at the above rate	4,520	(7,208)
Not deductible items	2,831	14,111
Under adjustments to tax in respect of prior periods	474	3,998
Unrecognised deferred tax assets on tax losses	2,432	2,061
Effect of different tax rate in foreign countries	3,260	2,183
Total income tax expense	13,517	15,145

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 RMB2,745,000 (2014: RMB689,000). 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.

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

	Group	
	2015	2014
	RMB'000	RMB'000
Excess of net book value of plant and equipment over tax values	(2,150)	–
Excess of tax values over net book value of plant and equipment	100	4
Excess of net book value of land use rights over tax values	(25)	(26)
Excess of net book value of licences and customer relationship over tax values	(987)	(216)
Allowance for impairment of trade and other receivables	(608)	977
Allowance for impairment of inventories	52	–
Accrual for safety expenses	909	268
Deferred tax relating to unremitted profits of a subsidiary	(300)	(1,125)
Total deferred income tax income recognised in profit or loss	(3,009)	(118)

9. Income tax (cont'd)

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

	Group	
	2015	2014
	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)
Excess of tax values over net book value of plant and equipment	–	100
Excess of net book value of land use rights over tax values	(1,016)	(1,041)
Excess of net book value of licences and customer relationship over tax values	–	(987)
Allowance for impairment of trade and other receivables	3,739	3,131
Allowance for impairment of inventories	–	52
Accrual for safety expenses	363	1,272
Deferred tax relating to unremitted profits of a subsidiary	(675)	(975)
Net balance	2,411	(598)

Presented in the statement of financial position as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Deferred tax liabilities	(1,691)	(3,781)
Deferred tax assets	4,102	3,183
Net position	2,411	(598)

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

Unrecognised deferred tax assets:	Tax losses		Unrecognised deferred tax assets	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Unused tax losses available	29,005	14,699	4,931	2,499
Unrecognised deferred tax assets	29,005	14,699	4,931	2,499

No deferred tax asset for the unused tax losses has been recognised in respect of the remaining for the above balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised.

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

9. Income tax (cont'd)

9C. Deferred tax balance in the statement of financial position (cont'd):

For China companies, the expiry dates of tax effect of tax losses carryforwards are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
2018	2,574	2,574
2019	12,125	12,125
2020	14,306	–
	29,005	14,699

It is impractible to estimate the amount expected to be settled or used within one year. For the People's Republic of China, the realisation of the future income tax benefits from tax loss carryforwards is available for a period of 5 years subject to the conditions imposed by law. Deferred tax asset has not been recognised in respect of the above tax losses as the future profit streams within the 5 year period are not certain.

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	
	2015	2014
	RMB'000	RMB'000
Subsidiaries	10,976	9,548

10. Earnings/(Loss) per share

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

		Group	
		2015	2014
A.	Numerators: earnings/(loss) attributable to equity:		
	Continuing operations: attributable to equity holders (RMB'000)	13,072	(57,543)
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			
	Rate per share			
	2015	2014	2015	2014
	S$ cents	S$ cents	RMB'000	RMB'000
Final tax exempt (1-tier) dividend paid	0.2	0.7	2,302	7,918
Total dividends paid in the year	0.2	0.7	2,302	7,918

In respect of the current year, the directors propose that a final dividend of S$0.3 cents (2014: special dividend of S$0.2 cents) per share, an estimated total of RMB3,127,000 (2014: RMB2,302,000) 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 2015 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	
	2015	2014
	RMB'000	RMB'000
Audit fees to auditors of the company	357	351
Audit fees to other auditors	210	210
Non-audit fees paid to the auditors of the company	11	11

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 2013	87,646	205,674	64,139	357,459
Additions	–	9,793	31,757	41,550
Reclassifications	33,487	18,270	(51,757)	–
Disposals	–	(5,276)	–	(5,276)
Foreign exchange adjustments	–	(39)	–	(39)
At 31 March 2014	121,133	228,422	44,139	393,694
Additions	–	5,066	9,195	14,261
Reclassifications	7,501	4,409	(11,910)	–
Write-off	–	(365)	–	(365)
Foreign exchange adjustments	–	(67)	–	(67)
At 31 March 2015	128,634	237,465	41,424	407,523
Accumulated depreciation and impairment:				
At 1 April 2013	11,929	60,915	–	72,844
Depreciation for the year	4,145	16,416	–	20,561
Disposals	–	(3,365)	–	(3,365)
Impairment for the year	5,080	27,815	27,105	60,000
Foreign exchange adjustments	–	(33)	–	(33)
At 31 March 2014	21,154	101,748	27,105	150,007
Depreciation for the year	5,827	14,052	–	19,879
Write-off	–	(324)	–	(324)
Foreign exchange adjustments	–	(53)	–	(53)
At 31 March 2015	26,981	115,423	27,105	169,509
Net book value:				
At 1 April 2013	75,717	144,759	64,139	284,615
At 31 March 2014	99,979	126,674	17,034	243,687
At 31 March 2015	101,653	122,042	14,319	238,014

13. Property, plant and equipment (cont'd)

Company	Plant and equipment
	RMB'000
Cost:	
At 1 April 2013	1,150
Additions	151
Disposals	(517)
Foreign exchange adjustments	(39)
At 31 March 2014	745
Additions	10
Disposals	–
Foreign exchange adjustments	(67)
At 31 March 2015	688
Accumulated depreciation:	
At 1 April 2013	959
Depreciation for the year	104
Disposals	(517)
Foreign exchange adjustments	(33)
At 31 March 2014	513
Depreciation for the year	109
Disposals	–
Foreign exchange adjustments	(53)
At 31 March 2015	569
Net book value:	
At 1 April 2013	191
At 31 March 2014	232
At 31 March 2015	119

i) During the last reporting year, the property, plant and equipment in Hebei Yinguang Chemical Co., Ltd. with a carrying amount of RMB67,049,000 was impaired by RMB60,000,000 due to its weak performance. This arose from the management's regular review of the recoverable amount of property, plant and equipment. Management estimated the recoverable amount of the assets on the basis of its value in use (Level 3). The discount rate used in measuring value in use was 12.3%.

ii) Certain properties are subject to a charge (Note 22A).

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

iv) 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:				
2015	14,775	3,847	1,257	19,879
2014	15,767	3,104	1,690	20,561

13. Property, plant and equipment (cont'd)

Borrowing costs included in the cost of qualifying assets are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Capitalisation rates	7.20% to 7.28%	7.20% to 7.28%
Borrowing costs capitalised included in additions during the year	–	1,559
Accumulated interest capitalised included in the cost of construction-in-progress total	1,559	1,559

14. Intangible assets

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Licenses	–	2,215	–	–
Customer relationships	–	1,738	–	–
Total	–	3,953	–	–

Group	Licenses	Customer relationships	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 April 2013 and 31 March 2014	4,833	3,792	8,625
Write-off	(4,833)	(3,792)	(8,625)
At 31 March 2015	–	–	–
Accumulated amortisation:			
At 1 April 2013	2,135	1,675	3,810
Amortisation for the year	483	379	862
At 31 March 2014	2,618	2,054	4,672
Amortisation for the year	483	379	862
Write-off	(3,101)	(2,433)	(5,534)
At 31 March 2015	–	–	–
Net book value:			
At 1 April 2013	2,698	2,117	4,815
At 31 March 2014	2,215	1,738	3,953
At 31 March 2015	–	–	–

Licenses and customer relationships for reporting segment of Ammonium nitrate have been written off by management due to weak performance during the financial year and the management does not expect the licenses and customer relationships can be recovered.

15. Other assets

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current:				
Land use rights (Note 15A)	90,128	90,977	–	–
Subtotal	90,128	90,977	–	–
Current:				
Deposits to secure services	60	67	60	67
Prepayments	1,372	1,242	67	75
Advances to suppliers	9,365	5,464	–	–
Advances to staff	1,092	951	–	–
Subtotal	11,889	7,724	127	142
	102,017	98,701	127	142

15A. Land use rights

Group	RMB'000
Cost:	
At 1 April 2013	99,505
Additions for the year	1,144
At 31 March 2014	100,649
Additions for the year	2,018
At 31 March 2015	102,667
Accumulated amortisation:	
At 1 April 2013	6,870
Amortisation for the year	2,802
At 31 March 2014	9,672
Amortisation for the year	2,867
At 31 March 2015	12,539
Net book value:	
At 1 April 2013	92,635
At 31 March 2014	90,977
At 31 March 2015	90,128

(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. In current financial year, the group has obtained the legal titles for the remaining two parcel of land. The actual cost of this two parcel of land use rights are RMB7.7 million and the amount have been fully paid. This amount has been capitalized as part of the cost of the land use right.

(ii) 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 (cont'd)

15A. Land use rights (cont'd)

Detail of the group's 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	102,836	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
Changsheng Village, Fei Town, Fei County, Linyi City	10,844	15 July 2014	8 May 2064
LeHe, Zhutian Town, Fei County, Linyi City	27,306	15 July 2014	8 May 2064

16. Investment in subsidiaries

	Company	
	2015	2014
	RMB'000	RMB'000
Unquoted equity shares at cost	113,143	113,143
Foreign currency translation difference	(12,732)	(2,757)
	100,411	110,386
Net book value of subsidiaries	395,232	388,281
Analysis of above amount denominated in non-functional currency:		
China RMB	100,411	110,386

16. Investment in subsidiaries (cont'd)

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	
	2015	2014	2015	2014
	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 Zhongxinghua Certified Public Accountant LLP, 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	
	2015	2014
	RMB'000	RMB'000
Raw materials	22,786	33,515
Work-in-progress	12,087	80
Finished goods	27,020	30,279
Balance at end of the year	61,893	63,874
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	(328)	(208)
Write-off during the year	–	208
Charge to profit or loss included in other losses	–	(328)
Balance at end of the year	(328)	(328)
The write-downs of inventories charged to profit or loss included in other losses	(19)	–
Changes in inventories of finished goods and work in progress	(8,748)	(6,990)
Raw materials and consumables used	157,639	207,183

There are no inventories pledged as security for liabilities.

18. Trade and other receivables

	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
Trade receivables:				
Outside parties	100,518	95,125	–	–
Less allowance for impairment	(18,451)	(13,007)	–	–
Related party (Note 3)	346	3,473	–	–
Sub-total	82,413	85,591	–	–
Other receivables:				
Outside parties	1,417	1,144	–	–
Less allowance for impairment	(168)	(168)	–	–
Tax recoverable	3,439	3,439	–	–
Subsidiary (Note 3)	–	–	22,512	16,167
Sub-total	4,688	4,415	22,512	16,167
Total trade and other receivables	87,101	90,006	22,512	16,167
Movement in the above allowance – trade receivables				
Balance at beginning of the year	(13,007)	(16,607)	–	–
Credit to profit or loss included in other credits	13	171	–	–
Allowance written-off	322	4,799	–	–
Charge to profit or loss included in other losses	(5,779)	(1,370)	–	–
Balance at end of the year	(18,451)	(13,007)	–	–
Movement in the above allowance – other receivables				
Balance at beginning and end of the year	(168)	(168)	–	–

19. Cash and cash equivalents

	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
Not restricted in use	125,908	99,473	920	600
Interest earning balances	124,988	98,873	–	–

The rate of interest for the cash on interest earning balances ranged between 0.35% and 0.39% (2014: 0.35% to 0.39%) 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 2013 and at end of the year 31 March 2014 and 31 March 2015	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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency translation reserve	(84)	230	(12,815)	(2,527)
Capital reserve	44,000	44,000	–	–
Statutory reserve	42,224	37,981	–	–
	86,140	82,211	(12,815)	(2,527)

21. Other reserves (cont'd)

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.

In financial year ended 31 March 2013, 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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans I (Note 22A)	45,500	48,000	–	–
Bank loans II (Note 22B)	30,000	34,000	–	–
Third party loan (Note 22C)	8,172	8,172	–	–
Total	83,672	90,172	–	–

22A. Bank loans I

The short-term bank loans are secured on the land and buildings of a subsidiary with net book value of approximately RMB89.0 million (2014: RMB91.5 million).

They bear fixed interest and have maturity dates as follows:

2015: Loan principal	Interest rate	Maturity dates	2014: Loan principal	Interest rate	Maturity dates
(RMB'000)	(%)		(RMB'000)	(%)	
20,000	6.48	8 June 2015	12,000	6.90	27 May 2014
8,000	6.48	1 June 2015	18,000	6.30	16 June 2014
10,500	6.48	29 May 2015	10,000	6.30	12 June 2014
7,000	6.05	4 August 2015	8,000	6.16	22 August 2014
45,500			48,000		

22. Other financial liabilities (cont'd)

22B. Bank loans II

The short-term bank loans are secured on the land and buildings of a subsidiary with net book value of Nil (2014: RMB15.5 million) and a corporate guarantee from a related party which a director has substantial interest. They bear fixed interest and have maturity dates as follows:

2015: Loan Principal	Interest rate	Maturity dates	2014: Loan Principal	Interest rate	Maturity dates
(RMB'000)	(%)		(RMB'000)	(%)	
20,000	7.5	7 May 2015	20,000	7.20	6 May 2014
10,000	7.5	9 April 2015	14,000	7.28	28 April 2014
30,000			34,000		

22C. 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. The full balance is interest-free and have no fixed term of repayment.

23. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
Outside parties and accrued liabilities	53,453	57,190	3,221	3,171
Bills payable	37,000	18,000	–	–
Related parties (Note 3)	3,802	2,652	–	–
Subtotal	94,255	77,842	3,221	3,171
Other payables:				
Related parties (Note 3)	602	1,301	–	–
Payable for land use rights (Note 15A)	17,010	21,547	–	–
Outside parties	3,452	2,213	630	314
Subtotal	21,064	25,061	630	314
Total trade and other payables	115,319	102,903	3,851	3,485

24. Other liabilities, current

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	2,699	3,720	–	–
Deferred revenue [(a)]	1,533	1,951	–	–
Provision for safety expenses [(b)]	7,154	5,895	–	–
	11,386	11,566	–	–

(a) The deferred revenue is related to the government grant for certain plant and equipment disclosed in Note 13.

(b) Movement in the provision for safety expenses

Provision for safety expenses				
Balance at beginning of the year	5,895	6,986	–	–
Provision for the year	3,977	4,437	–	–
Utilisation during the year	(2,718)	(5,528)	–	–
Balance at end of the year	7,154	5,895	–	–

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

25. Financial instruments: information on financial risks

25A. Classification 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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Cash and cash equivalents	125,908	99,473	920	600
Loans and receivables	83,499	86,567	22,512	16,167
At end of the year	209,407	186,040	23,432	16,767
Financial liabilities:				
Other financial liabilities measured at amortised cost	83,672	90,172	–	–
Trade and other payables measured at amortised cost	115,319	102,603	3,851	3,485
At end of the year	198,991	192,775	3,851	3,485

Further quantitative disclosures are included throughout these financial statements.

25. Financial instruments: information on financial risks (cont'd)

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

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

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

25C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. 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.

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, receivables and certain other financial assets. 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. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other 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 with customers 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 significant concentration of credit risk on receivables, as the exposure is spread over a small number of counter-parties and customers.

25. Financial instruments: information on financial risks (cont'd)

25D. Credit risk on financial assets (cont'd)

Note 19 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 90 days (2014: 90 days). But some customers take a longer period to settle the amounts:

(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	
	2015	2014
	RMB'000	RMB'000
Trade receivables:		
91 - 180 days	17,931	19,784
181 days to 1 year	10,826	5,140
Over 1 year	2,806	3,797
Total	31,563	28,721

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

	Group	
	2015	2014
	RMB'000	RMB'000
Trade receivables:		
Over 1 year	18,451	13,007
Total	18,451	13,007

The allowance which is disclosed in the Note 18 on trade receivables is based on individual accounts totalling RMB18,451,000 (2014: RMB13,007,000) that are determined to be impaired at end of the reporting year. These are not secured.

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Top 1 customer	11,869	11,650
Top 2 customers	20,655	17,128
Top 3 customers	26,604	21,978

25. Financial instruments: information on financial risks (cont'd)

25E. Liquidity risk – financial liabilities maturity analysis

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

Group	Less than 1 year
	RMB'000
Non-derivative financial liabilities:	
2015:	
Gross borrowings commitments	84,442
Trade and other payables	115,319
At end of the year	199,761

	Less than 1 year
	RMB'000
Non-derivative financial liabilities:	
2014:	
Gross borrowings commitments	91,094
Trade and other payables	102,603
At end of the year	193,697

Company	Less than 1 year
	RMB'000
Non-derivative financial liabilities:	
2015:	
Trade and other payables	3,851
At end of the year	3,851

	Less than 1 year
	RMB'000
Non-derivative financial liabilities:	
2014:	
Trade and other payables	3,485
At end of the year	3,485

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 (2014: 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.

25. Financial instruments: information on financial risks (cont'd)

25F. Interest rate risk

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Floating rates	124,988	98,873	–	–
At end of the year	124,988	98,873	–	–
Financial liabilities:				
Fixed rates	75,500	82,000	–	–
At end of the year	75,500	82,000	–	–

The floating rate debt obligations are with interest rates that are re-set regularly intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis:

	2015	2014
	RMB'000	RMB'000
Financial Assets:		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase / decrease in pre-tax profit for the year by	1,250	989
Financial liabilities:		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase / decrease in pre-tax profit for the year by	755	820

The analysis has been performed for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

25. Financial instruments: information on financial risks (cont'd)

25G. Foreign currency risks

Analysis of amount denominated in non-functional currency:

Company	China RMB
	RMB'000
Financial assets:	
2015:	
Loans and receivables	22,512
2014:	
Loans and receivables	16,167

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:

	Group	
	2015	2014
	RMB'000	RMB'000
Commitments to purchase of plant and equipment	14,028	8,999

27. Operating lease payment commitments

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

	Group and Company	
	2015	2014
	RMB'000	RMB'000
Not later than one year	226	248
Later than one year and not later than five years	56	310
Rental expenses for the year	241	262

Operating lease payments are for rentals payable for certain office and factory properties. The lease rental terms are negotiated for an average term of two to three years and rentals are not subject to an escalation clause.

28. Changes and adoption of financial reporting standards

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

FRS No.	Title
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 27	Separate Financial Statements (Revised)
FRS 28	Investments in Associates and Joint Ventures (Revised) (*)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill) (*)
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting
FRS 110	Consolidated Financial Statements
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112
FRS 111	Joint Arrangements (*)
FRS 112	Disclosure of Interests in Other Entities
INT FRS 121	Levies (*)

(*) Not relevant to the entity.

29. Future changes in financial reporting standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions	1 Jul 2014
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 102 Share-based Payment (*) FRS 103 Business Combinations (*) FRS 108 Operating Segments FRS 113 Fair Value Measurement FRS 16 Property, Plant and Equipment FRS 24 Related Party Disclosures FRS 38 Intangible Assets	1 Jul 2014
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 103 Business Combinations (*) FRS 113 Fair Value Measurement FRS 40 Investment Property (*)	1 Jul 2014
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 Jan 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
FRS 16, FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (*)	1 Jan 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements (*)	1 Jan 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*)	1 Jan 2016
FRS 110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 Jan 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (*)	1 Jan 2016
FRS 114	Regulatory Deferral Accounts (*)	1 Jan 2016
Various	Improvements to FRSs (November 2014)	1 Jan 2016
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 109	Financial Instruments	1 Jan 2018

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

As at 18 June 2015

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 - 99	–	–	–	–
100 - 1,000	39	4.27	39,000	0.01
1,001 - 10,000	422	46.17	2,969,000	1.27
10,001 - 1,000,000	436	47.70	27,020,000	11.55
1,000,001 AND ABOVE	17	1.86	203,972,000	87.17
TOTAL	**914**	**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	5,232,000	2.24
6	BAO HONGWEI	4,788,000	2.05
7	TAN GEOK BEE	4,231,000	1.81
8	PHILLIP SECURITIES PTE LTD	4,099,000	1.75
9	NGIAN PIN CHRISTINA	2,337,000	1.00
10	DBS NOMINEES (PRIVATE) LIMITED	1,566,000	0.67
11	RAFFLES NOMINEES (PTE) LIMITED	1,474,100	0.63
12	CHUA SEK HOW	1,407,000	0.60
13	GOH KIAN SOON	1,378,000	0.59
14	LEOW KIM HOW	1,361,000	0.58
15	TAN WEE KEE	1,232,900	0.53
16	HL BANK NOMINEES (SINGAPORE) PTE LTD	1,200,000	0.51
17	SIMSONS PTE LTD	1,062,000	0.45
18	CIMB SECURITIES (SINGAPORE) PTE. LTD.	998,000	0.43
19	CHEW BOON CHUN	711,000	0.30
20	HONG LEONG FINANCE NOMINEES PTE LTD	700,000	0.30
	TOTAL	**206,381,000**	**88.21**

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as of 18 June 2015.

	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 2015, 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, 30 July 2015 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 2015 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$0.003 per ordinary share for the financial year ended 31 March 2015. **Resolution 2**

3. To approve the payment of Directors' Fees of S$336,000 for the financial year ended 31 March 2015 (2014: 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**
   (See Explanatory Note 1)

5. To re-elect Mr. Bao Hongwei who is retiring under Article 107 of the Company's Articles of Association. **Resolution 5**
   (See Explanatory Note 2)

6. To re-elect Mr. Frankie Manuel Micallef who is retiring under Article 107 of the Articles of Association. **Resolution 6**
   (See Explanatory Note 3)

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

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

AS SPECIAL BUSINESS

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

9. AUTHORITY TO ALLOT AND ISSUE SHARES **Resolution 8**

   "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 4)

10. <u>PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH DYNO NOBEL GROUP</u> **Resolution 9**

"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 1 to this Notice of Annual General Meeting, with any party who is of the class of Interested Persons described in the Appendix 1 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 1 to this Notice of Annual General Meeting ("Dyno Nobel IPT Mandate");

(b) the approval given in respect of the Dyno Nobel IPT Mandate set out in sub-paragraph (a) above shall unless revoked or varied by the Company in a 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 Dyno Nobel IPT Mandate and/or this Resolution."

(See Explanatory Note 5)

11. PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH MINBAO GROUP **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 2 to this Notice of Annual General Meeting, with any party who is of the class of Interested Persons described in the Appendix 2 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 2 to this Notice of Annual General Meeting ("Minbao Group IPT Mandate");

(b) the approval given in respect of the Minbao Group IPT Mandate set out in sub-paragraph (a) above shall unless revoked or varied by the Company in a 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 Minbao Group IPT Mandate and/or this Resolution."

(See Explanatory Note 6)

BY ORDER OF THE BOARD

TAN MIN-LI
COMPANY SECRETARY
SINGAPORE
15 JULY 2015

Explanatory Note: -

(1) 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. There are no relationships (including immediate family relationships) between Dr. Lim Seck Yeow and the other Directors, the Company or shareholder with shareholdings of 10% or more in the voting shares of the Company.

(2) There are no relationships (including immediate family relationships) between Mr. Bao Hongwei and the other Directors, the Company or shareholder with shareholdings of 10% or more in the voting shares of the Company.

(3) There are no relationships (including immediate family relationships) between Mr. Frankie Manuel Micallef and the other Directors and the Company. Mr. Frankie Manuel Micallef is the representative/employee of a shareholder with shareholdings of 10% or more in the voting shares of the Company.

(4) Resolution No. 8 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.

(5) Resolution No. 9 above, if passed, will renew, effective until the conclusion of the next Annual General Meeting, the Dyno Nobel IPT Mandate to enable the Company, its subsidiaries and associated companies which are considered "entities at risk" to enter in the ordinary course of business into certain types of interested person transactions with specific classes of the Company's interested persons. Particulars of the Dyno Nobel IPT Mandate are set out in the Appendix 1 to this Notice of Annual General Meeting which is enclosed with the Company's Annual Report 2015.

(6) Resolution No. 10 above, if passed, will renew, effective until the conclusion of the next Annual General Meeting, the Minbao Group IPT Mandate to enable the Company, its subsidiaries and associated companies which are considered "entities at risk" to enter in the ordinary course of business into certain types of interested person transactions with specific classes of the Company's interested persons. Particulars of the Minbao Group IPT Mandate are set out in the Appendix 2 to this Notice of Annual General Meeting which is enclosed with the Company's Annual Report 2015.

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.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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FABCHEM CHINA LIMITED

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

IMPORTANT:

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intends and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Fabchem China Limited.

PROXY FORM

I/We ______________________________

of ______________________________

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 2 Bukit Merah Central, Level 1 Drucker/Juran Boardroom, Singapore 159835 on Thursday, 30 July 2015 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 2015.		
2.	To declare a first and final tax exempt one-tier dividend of S$0.003 per ordinary share for the financial year ended 31 March 2015.		
3.	To approve the payment of Directors' Fees for the financial year ended 31 March 2015.		
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. Bao Hongwei as a Director under Article 107.		
6.	To re-elect Mr. Frankie Manuel Micallef as a Director under Article 107.		
7.	To re-appoint RSM Chio Lim LLP as Auditors and authorise Directors to fix their remuneration.		
Special Business			
8.	Approval of Authority to allot and issue shares.		
9.	Proposed renewal of the shareholders' mandate for Interested Person Transactions with Dyno Nobel Group.		
10.	Proposed renewal of the shareholders' mandate for Interested Person Transactions with Minbao Group.		

Dated this __________ day of ____________________ 2015.

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.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 July 2015.

FABCHEM CHINA LIMITED

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