Fabchem China Limited

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Fabchem China's FY2006 net profit rose 54.2% to RMB 54.1 million

- Gross profit margin improved to 44.3%
- Sales to Australian market increased by 221.1%
- Production of latest product, seismic charges, will have a strong financial impact for FY2007

Singapore, 21 June 2006 – Fabchem China Limited ("Fabchem China", "中国杰化" or the "Group"), one of the leading manufacturers of commercial explosive devices in China, today reported its maiden full year results ended 31 March 2006 since its listing on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") on 17 April 2006.

	Actual FY2006 RMB'000	Pro forma FY2005 RMB'000	(%)
Revenue	155,745	150,110	3.8
Within China	*76,146*	*75,318*	*1.1*
International Markets	*79,599*	*74,792*	*6.4*
Gross profit	69,063	59,141	16.8
Net profit attributable to shareholders	54,081	35,065	54.2
EPS (RMB cents)	30.9	20.0	

SUMMARY OF OPERATIONAL AND FINANCIAL REVIEW

Fabchem China recorded a strong set of FY2006 results - Net profit rose 54.2% to RMB 54.1 million from RMB 35.1 million in the prior year. Gross profit margin was higher at 44.3% in FY2006 compared to the average of 36.3% between FY2003 and FY2005. Total revenue grew by 3.8% to RMB 155.7 million in FY2006 from RMB 150.1 million in FY2005.

"Our management team delivered a commendable set of results. The Group had a healthy gain in net profit and we saw a substantial 221.1% growth in sales to the Australian market. The 4.9% improvement in our Group's gross profit margin to 44.3% in FY2006 is attributable to the management's ability in sourcing for cheaper raw materials" said Mr Sun Bowen, Managing Director of Fabchem China.

Sales to international markets increased 6.4% to RMB 79.6 million in FY2006 as compared to RMB 74.8 million in FY2005. In particular, sales to Australian market increased significantly by 221.1% to RMB 52.6 million due mainly to the continued outsourcing of boosters by our major customers in Australia, namely ORICA Limited and Beston Australia Pty Ltd.

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NEW PRODUCTION FACILITIES TO DRIVE GROWTH

In May 2006, the Group's wholly owned subsidiary in China, Yinguang Technology Co., Ltd ("YG Tech") acquired manufacturing facilities for the production of a new product, seismic charges. With the acquisition of the seismic charge manufacturing facilities, the Group has added a new range of product which was previously not available to its customers. This has strengthened the competitiveness of the Group's commercial explosive devices market in China. The manufacturing capacity of the plant and equipment acquired is estimated to produce 3,000 tonnes per annum of Seismic Charges, or approximately RMB 30.5 million of revenue per annum. The estimated increase in revenue accruing from this acquisition is expected to have a positive impact on the revenue of the Group for the financial year ending 31 March 2007 ("FY2007").

INDUSTRY OUTLOOK

In China, the end users such as mining, energy and infrastructure construction sectors are encouraged by the Chinese Government to shift from using TNT explosives to environmental-friendly non-TNT explosives. By 2010, the industry is required to completely use environmental-friendly non-TNT explosives in commercial explosives.

Fabchem China expects to benefit from this trend as our range of products, including boosters, detonators and non-electric tubes, are devices required to increase the efficiency of an explosion that uses non-TNT explosives.

Internationally, the mining and energy related activities in countries such as Australia is expected to increase. As China and Australia had signed an agreement which will permit the export of Australian uranium to China, Australia hopes to export billions of pounds of uranium from its mines to fuel China's nuclear power plant construction boom by 2010. And according to statistics issued by the Australian Bureau of Agriculture and Resource Economics, the mining and energy related activities in Australia are expected to increase and it was reported that there are 90 advanced (i.e. committed or under construction) and 166 less advanced (i.e. undergoing feasibility study or pending final decision to proceed) minerals and energy projects at the end of April 2006. The total capital expenditure was estimated at A$131.1 billion for these advanced and less advanced projects and are expected to be fully operationally by 2009 and 2015, respectively.

Fabchem China expects to benefit from the growth in the demand of commercial explosive devices in the Australian market underpinned by its projected growth in mining and energy related activities.

Note:-

1. A Seismic Charge is a type of blasting device used mainly for oil, natural gas and mineral exploration through seismic wave refraction method. The seismic wave refraction method utilises sound waves as sound travels at different velocities through different materials and is refracted at layer interfaces. A seismic wave in the Earth is generated through the vibration of an explosion initiated by the seismic charge. The time taken by the seismic wave to travel back is then precisely measured and this is interpreted to detect the type of material in the Earth.

>>>> The End

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More about Fabchem China Limited ("Fabchem China")
Bloomberg: FABC SP

Headquartered in the Republic of Singapore with fully owned subsidiary based in the Shandong province in China, Fabchem China is one of the leading manufacturers of commercial explosive devices in China. Its products include explosive devices (boosters and tube charges), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), as well as industrial detonators (non-electric detonators and piston non-electric detonators). These products are widely used in mining, infrastructure, hydroelectric construction projects and oil & gas exploration activities. According to the China Explosives Industry Report issued in May 2006, it is the largest China manufacturer of boosters and detonating cords in 2005. Fabchem China's products are sold in more than 10 countries, including the United States of America, China, Australia and South Africa.

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