

## **FABCHEM CHINA LIMITED**

### **APPROVAL FROM THE COMMISSION OF SCIENCE, TECHNOLOGY AND INDUSTRY FOR NATIONAL DEFENSE TO DESIGN AND CONSTRUCT A MANUFACTURING FACILITY FOR THE PRODUCTION OF UP TO 60 MILLION UNITS OF PISTON NON-ELECTRIC DETONATORS**

The Board of Directors of Fabchem China Limited (the "Company") is pleased to announce that our wholly-owned subsidiary, Shandong Yinguang Technology Co., Ltd. ("Yinguang Technology") had received a letter of approval from the Commission of Science, Technology and Industry for National Defense (the "Commission") on 16<sup>th</sup> August 2006 to design and construct a manufacturing facility for the production of up to 60 million units of piston non-electric detonators per annum.

The new manufacturing facility will be located in Shandong Province, Linyi City, Fei County, along with our current manufacturing facilities, with an estimated built up area of approximately 8,000 square metres. The design and construction of the new manufacturing facility, including building, machineries and equipments, will be funded from our Company's net IPO proceeds and is estimated to be approximately RMB 20 million, equivalent to approximately S\$4 million.

A piston non-electric detonator is a special form of non-electric detonator which is environmentally friendly and safe, whose detonating effect is comparable or even better than a normal non-electric detonator, and can be used to substitute the normal non-electric detonator. The piston non-electric detonator is the product of the research collaboration with the University of Science and Technology of PRC. It is safer, more resistance to abrasion, more environmentally friendly and costs less to manufacture than a normal detonator. The piston non-electric detonator is patented and the Shandong Commission of Science and Technology had performed an appraisal and approved the manufacturing and sales of this product.

Currently, we have a manufacturing facility for the production of piston non-electric detonator with a production capacity of approximately 30 million units per annum. With the new manufacturing facility, the management is confident that our market position in commercial explosives devices will be enhanced.

As at the date of this announcement, RMB 12.2 million (equivalent to approximately S\$2.4 million) have been utilized out of the net IPO proceeds of S\$16.5 million.

The initial public offering for the shares of Fabchem China Limited was sponsored by HL BANK (the "Manager"). The Manager assumes no responsibility for the contents of this announcement.

BY ORDER OF THE BOARD

Dr Lim Seck Yeow  
Non Executive Chairman  
21 August 2006