



Fabchem China Limited

**FOR IMMEDIATE RELEASE**

## **FABCHEM ACHIEVES RECORD FIRST-HALF NET PROFIT ON STRONG 2Q GROWTH**

- Net profit surges 932.0% year-on-year to RMB 10.8 million in 2Q2010 despite seasonal lull
- Record net profit of RMB 30.4 million achieved in 1H2010, up 141.3%
- Maintains relatively stable gross and net margins of 38.1% and 18.1% across 1H2010
- Strong balance sheet with low gearing<sup>(1)</sup> of 0.09x
- Secures maiden direct export contract to mining stronghold of Indonesia, expanding markets beyond China

<i>(RMB'000)</i>	<i>2Q2010</i>	<i>2Q2009</i>	<i>Change (%)</i>	<i>1H2010</i>	<i>1H2009</i>	<i>Change (%)</i>
Revenue	84,879	23,408	+262.6	168,043	71,444	+135.2
Gross Profit	28,697	8,569	+234.9	63,999	28,985	+120.8
Profit Before Tax	17,021	1,521	+1,019.1	40,056	15,090	+165.4
Net Profit	10,836	1,050	+932.0	30,442	12,618	+141.3
EPS <sup>(2)</sup> (RMB Cents)	4.63	0.45	+928.9	13.01	5.39	+141.4
<i>(RMB Cents)</i>	<i>As at 30 Sep 09</i>	<i>As at 31 Mar 09</i>	<i>Change (%)</i>			
NAV per share <sup>(2)</sup>	145.15	131.82	+10.1			

(1) Gearing is defined as total debt to total assets.

(2) Based on weighted average number of 234 million shares.

**Singapore, 09 November 2009** – Singapore Exchange Mainboard-listed **Fabchem China Limited** (“**Fabchem**” or “**the Group**”) announced today a sterling set of results for the second quarter (“2Q2010”) and first half (“1H2010”) of the financial year ending 31 March 2010. Based in the People’s Republic of China (“PRC”), Fabchem is a leading manufacturer of initiation systems and the largest non-electric detonator producer within a supply-regulated industry.

### **Strong Sales Despite Seasonal Lull**

In 1H2010, Fabchem recorded a 135.2% rise in revenue to RMB 168.0 million. Of this, RMB 84.9 million was attributed to the Group’s strong performance in 2Q2010 despite the seasonal lull. Sales in the quarter surged 262.6% year-on-year due to increased marketing efforts and revenue contribution from a newly acquired ammonium nitrate business. 2Q2010 also saw sales patterns normalise vis-à-vis 2Q2009, during which restrictions on the transportation and use of explosive products were imposed as a result of the Beijing Olympics.



Sales in the Group's three traditional product groups of (a) explosive devices (b) industrial fuses and initiating explosive devices, and (c) industrial detonators increased sharply during 2Q2010. This was underpinned by strong demand within the domestic market as infrastructure and mining activities gained pace, riding on increased fixed asset investment spending in the PRC economy.

In late-October 2008, Fabchem further expanded its product offering by acquiring Hebei Yinguang Chemical Co., Ltd, a major explosive-grade ammonium nitrate manufacturing company in the PRC. This business segment has steadily contributed to the Group's revenue over the past three consecutive quarters; in 2Q2010, it accounted for 19.1% of the Group's revenue.

The PRC continued to be Fabchem's main market, accounting for 87.7% of the Group's 1H2010 revenue. Overseas markets accounted for the balance 12.3%. In recent years, apart from maintaining a primary focus on the PRC market, the Group has been building up its international marketing capabilities to target overseas markets.

### **Gross Profit Growth Outpaces Expense Rise**

Despite rising cost challenges, the Group continued to maintain high operating efficiencies and stringent control over its cost of sales. Such efforts were further strengthened by operational knowledge transfer between Fabchem and its strategic shareholder Dyno Nobel, the world's second-largest commercial explosives player, who has also seconded senior management to the Group's operations in the PRC.

In 2Q2010, Fabchem posted a gross profit of RMB 28.7 million, a 234.9% increase from a year ago. In 1H2010, the Group posted a gross profit of RMB 64.0 million, up 120.8% from 1H2009. This translated into a strong 38.1% gross profit margin.

As the rate of increase in gross profit outpaced that of operating expenses, Fabchem recorded a 932.0% year-on-year surge in net profit attributable to shareholders to RMB 10.8 million in 2Q2010. 1H2010 net profit grew 141.3% to RMB 30.4 million, representing a net profit margin of 18.1%.

Accordingly, earnings per share rose 141.4% to RMB 13.01 cents for 1H2010, from RMB 5.39 cents for 1H2009.

Commenting on the Group's results, Managing Director Mr Sun Bowen said, "Our 1H results strongly evidenced the resilience of our business, as well as affirmed our role as a trusted market leader in our domain of expertise. In spite of seasonally lower customer activities that resulted from the onset of the rainy season in the PRC, we continued to generate strong demand for Fabchem's products from end-market users in the mining, exploration, infrastructure and construction industries."

On 7 August 2009, the Group announced that it will be adopting a dividend policy starting in FY2010, pledging to pay out dividends of at least 10% of its annual net profits to shareholders.

### **Robust Financial Position**

Amidst an aggressively-leveraged market, Fabchem continued to deliver a robust balance sheet through its highly prudent financial management policy. As at 30 September 2009, the Group's assets totaled RMB 505.8 million, of which RMB 156.8 million were in property, plant and equipment, RMB 125.2 million in trade receivables and RMB 93.3 million in cash and cash equivalents. As at the end of the reporting period, the Group also recorded RMB 166.2 million in total liabilities, of which the major portion was attributable to trade and other payables, and RMB 45.4 million in borrowings. This implied a gearing of only 0.09 times. Net asset value per share stood at RMB 145.15 cents as at 30 September 2009, up 10.1% since 31 March 2009.

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“The management has always adhered to a conservative approach in using leverage for business expansion. This has served us well in the challenging operating environment brought on by the global economic slowdown and other unforeseen circumstances, such as what we encountered during the Beijing Olympics. We now have greater agility to deploy various sources of financing to optimise our capital structure,” added Mr Sun.

### **Opening Up New Markets**

In August 2009, the Group secured its maiden direct export contract to Indonesia, under which Fabchem will supply boosters to a customer serving Indonesian mining companies. Fabchem will make its shipment to this Indonesian customer in November 2009.

Fabchem had previously relied on PRC-based export distributors to supply its products overseas to key mining markets. This new contract has signaled the Group’s direct entry into yet another major overseas market.

“Indonesia is an important market that we are looking into. Besides its relative proximity to the PRC, the nation is especially rich in gold, copper and thermal coal resources. This presents a market with large latent potential, and I believe that Fabchem possesses a sharp competitive advantage given our increasingly integrated operations and high-quality products, which already are endorsed by the world’s major players,” said Mr Sun.

In conclusion, Mr Sun said, “We believe that gradual demand recovery is underway in our operating markets. Going forward, our strong balance sheet, high operating efficiencies, calibrated expansion plans and the strategic partnership that we own with Dyno Nobel and Incitec Pivot will continue to underscore our key competitive strengths.”

Incitec Pivot is an Australia-listed leading global manufacturer of nitrogen-based chemicals. Through the acquisition of Dyno Nobel in 2008, Incitec Pivot owns a 29.9% strategic stake in Fabchem.

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*Issued on behalf of Fabchem China Limited by SPRG*

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### **About Fabchem China Limited (“Fabchem” or “the Group”)**

Listed on the Singapore Exchange Mainboard, Fabchem is one of the leading manufacturers of initiation systems in the People’s Republic of China (“PRC”). Fabchem’s products are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors. These include explosive devices (boosters, tube charges and seismic charges), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), industrial detonators (piston non-electric detonators), as well as explosive-grade ammonium nitrate.

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With its products sold to more than 150 customers in the mining, energy exploration, hydroelectric and infrastructure construction industries across more than 10 countries, the Group has established “Yinguang” as a brand name associated with safe, reliable and quality products. Fabchem’s reputation as an established initiation systems producer of international-standard quality has strengthened its competitive positioning within commodities-driven economies including the PRC and Australia.

### **English-Chinese Glossary**

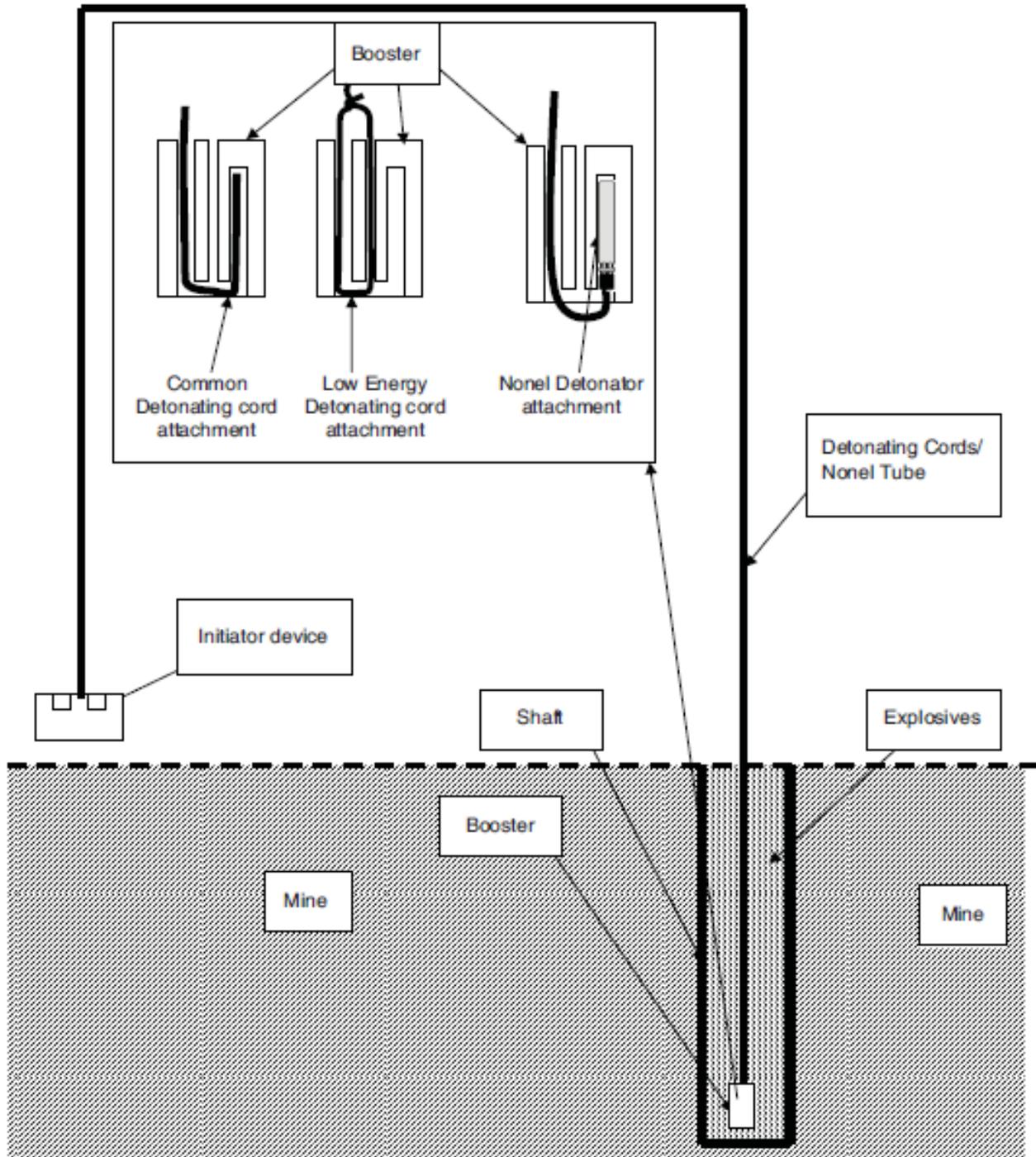
Fabchem China Limited	中国杰化有限公司
<i>Explosive Devices</i>	
Booster	起爆具
Seismic Charge	震源药柱
Tube Charge	爆裂管
<i>Industrial fuses and initiating explosive devices</i>	
Detonating Cord	导爆索
Non-Electric Tube	导爆管
<i>Industrial detonators</i>	
Piston Non-Electric Detonator	活塞式导爆管雷管
Ammonium Nitrate	硝酸铵

**Usage Diagram – See Annex 1 on Page 5 of this press release**

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ANNEX 1

The following diagram illustrates the usage of our products in a simplified explosive set-up:-



Note: The diagram and the products shown above are not drawn to scale.

Source: Fabchem China Limited