



Fabchem China Limited

MEDIA RELEASE

FABCHEM POSTS RMB 12.55 MILLION NET PROFIT IN 1Q2011; MAIDEN SALE OF BOOSTERS TO DYN0 NOBEL AUSTRALIA

- 1Q2011 revenue up 24.2% to RMB 103.30 million on continued growth in sales across key product and market segments
- Lower net profit attributed to rising raw material prices, lower-margin products sales mix and higher tax regime for 1Q2011
- Healthy balance sheet with cash position of RMB 116.41 million
- Maiden sale of boosters to strategic partner, Dyno Nobel Australia, a business unit of the world's second largest commercial explosives manufacturer

<i>(RMB'000)</i>	<i>1Q2011</i>	<i>1Q2010</i>	<i>Change (%)</i>
Revenue	103,300	83,164	+24.2
Gross Profit	33,315	35,302	(5.6)
Profit Before Tax	17,560	23,035	(23.8)
Net Profit After Tax ("NPAT")	12,553	19,606	(36.0)
EPS ⁽¹⁾ (RMB Cents)	5.36	8.38	(36.0)
EBITA ⁽²⁾	22,013	26,064	(15.5)
<i>(RMB Cents)</i>	<i>As at 30 Jun 10</i>	<i>As at 31 Mar 10</i>	<i>Change (%)</i>
NAV per share ⁽¹⁾	157.70	152.35	+3.5

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

(2) Earnings before Interest, Tax, Depreciation and Amortisation

Singapore, 13 August 2010 – Singapore Exchange Mainboard-listed **Fabchem China Limited** ("Fabchem" or "the Group"), a leading manufacturer of initiation systems and the largest booster and detonating cords producer within a supply-regulated industry in China, announced today that it registered a NPAT of RMB 12.55 million for the three months ended 30 June 2010 ("1Q2011") on revenue of RMB 103.30 million.

Although revenue increased 24.2% in 1Q2011, NPAT fell 36.0% mainly due to the increase in raw materials prices of approximately 20% and higher proportion of lower-margin products (explosive devices and ammonium nitrate) in sales mix. The higher effective tax rate for 1Q2011 of 28.8%, as compared to 14.9% last corresponding period, was another contributing factor to the reduced NPAT achieved in 1Q2011.



Continued Growth in Sales across Key Product and Market Segments

Significantly, there was a continued growth in sales across key product and market segments as the Group's revenue jumped 24.2% to RMB 103.30 million in 1Q2011 driven by strong demand for its commercial explosive products from end-market users in the mining, exploration, infrastructure and construction industries within the Chinese and overseas markets.

For 1Q2011, the Group's three traditional product groups (a) explosive devices +41.0%, (b) industrial fuses and initiating explosive devices +3.9%, and (c) industrial detonators +10.9% continued to increase steadily.

Complementing the Group's product value chain, revenue from the Group's ammonium nitrate business segment, via subsidiary Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), jumped 59.4% to RMB 25.15 million which accounted for 24.3% of the Group's 1Q2011 revenue.

China continues to be Fabchem's main market, as revenue contribution from the Chinese market increased 18.6% to RMB 86.80 million, accounting for 84.0% of the Group's 1Q2011 revenue. With its primary focus on the Chinese market, the Group has also been building up its international marketing capabilities to harness more opportunities in the overseas markets and diversify its revenue base. These efforts have led to a 64.9% surge in overseas sales to RMB 16.50 million in 1Q2011.

With the relevant export licenses, the Group has also been making good progress by marketing and selling directly to key mining nations (such as Australia, South Africa, Mongolia and Indonesia) without the need for a separate export agent, resulting in further cost savings.

Mitigating Rising Raw Material Prices

In 1Q2011, Fabchem posted a gross profit of RMB 33.32 million, a slight decrease of 5.6% from the previous corresponding period. The Group's gross margin was affected due to rising raw materials prices of approximately 20% and a higher proportion of lower-margin products (explosive devices and ammonium nitrate) in sales mix. For 1Q2011, the Group's gross margin stood at 32.3%.

Mr Sun Bowen, Fabchem's Managing Director, said, "Our close, collaborative relationship with our suppliers has helped to insulate the impact of rising raw materials costs. We also adopt a risk management strategy that adapt and adjust to new market conditions to find new ways to mitigate rising operating costs. At the same time, we will continue to enhance our marketing efforts to improve our product sales mix towards higher-margin products within our operating markets."

Higher Tax Regime for 1Q2011

With effect from 1st January 2010, the Group's China subsidiary, Shandong Yinguang Technology Co., Ltd, is liable to pay the full tax rate of 25.0% as compared to the concessionary tax rate of 12.5% before 1st January 2010. NPAT reduced 36.0% to RMB 12.55 million in 1Q2011, representing a net profit margin of 12.2%. Correspondingly, earnings per share dipped 36.0% to RMB 5.36 cents in 1Q2011, from RMB 8.38 cents for 1Q2010.

Commenting on the Group's results, Mr Sun said, "The Group achieved good broad-based revenue growth driven by continued product and geographical diversification within a supply-regulated industry. While we continuously strive to improve our financial performance, the 1Q2011 results were in line with our expectations amid rising raw materials prices, lower-margin products sales mix and a higher tax regime."

Healthy Financial Position with Cash Position of RMB 116.41 million

Guided by its conservative financial management policy, the Group's balance sheet remained healthy with low gearing. The Group's cash position improved with net cash balance of RMB 116.41 million at the end of June 2010.

As at 30 June 2010, Shareholders' equity was RMB 369.01 million, up 3.5% or RMB 12.51 million higher than 31 March 2010. Net asset value per share was RMB 157.70 cents, up 3.5% or RMB 5.35 cents from 31 March 2010.

The Group also recorded RMB 173.78 million in total liabilities, of which the major portion was attributable to trade and other payables, and RMB 48.39 million in borrowings at the end of June 2010. The borrowings were consolidated from Hebei Yinguang.

Maiden Sale of Boosters to Strategic Partner, Dyno Nobel Australia

Synergistic to its business model, the Group also serves as an original equipment manufacturer ("OEM") to the global renowned commercial explosives players, such as Orica Limited. Recently, the Group has added another significant milestone with the maiden sale of boosters to Dyno Nobel Australia on an OEM basis.

Dyno Nobel is the world's second largest commercial explosives manufacturer, and is also a strategic partner of Fabchem. Through the acquisition of Dyno Nobel in 2008, Incitec Pivot owns a 29.9% strategic stake in Fabchem. Incitec Pivot is an Australia-listed leading global manufacturer of nitrogen-based chemicals.

Commenting on this maiden sale to Dyno Nobel Australia, Mr Sun said, "Our ability to supply the top two global commercial explosives players on an OEM basis is a testament to our established track record and product quality. This preliminary sale to Dyno Nobel Australia reaffirms our strategic partnership and we expect sales volume to increase gradually in the future."

In conclusion, Mr Sun added, "With a healthy balance sheet, we will continue to stay competitive by strengthening our operating efficiency, prudent cost management and enhancing our product quality. Coupled with our established 30-year track record, the strategic partnership that we own with Dyno Nobel and Incitec Pivot will continue to underscore our key competitive strengths in existing and new markets."

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This document is to be read in conjunction with Fabchem's exchange filings on 13 August 2010, which can be downloaded via www.sgx.com.

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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.

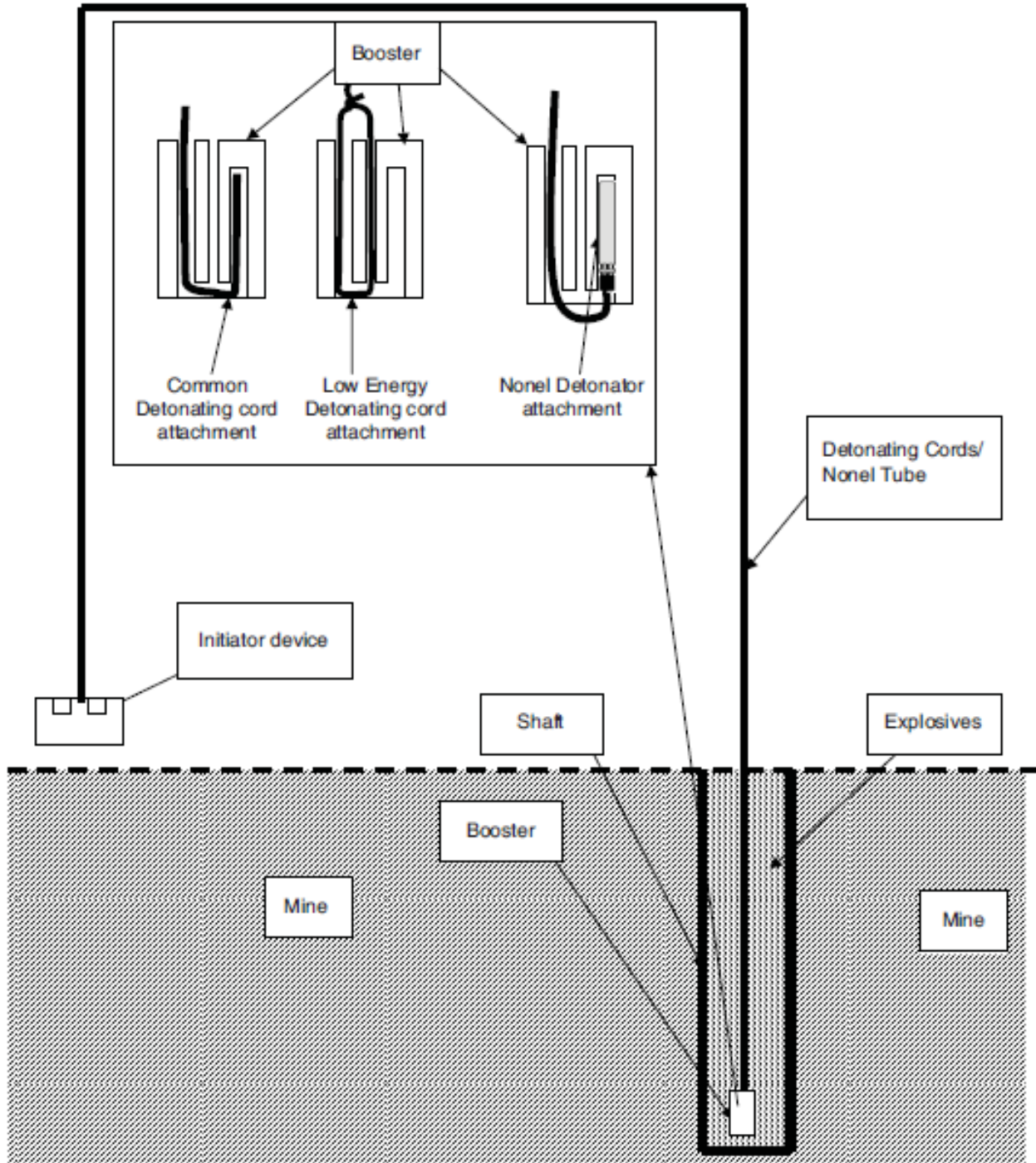
With its products sold to more than 150 customers in the mining, energy exploration, hydroelectric and infrastructure construction industries across more than 10 countries, the Group has established “Ying Guang” as a brand name associated with safe, reliable and quality products. Fabchem’s reputation 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

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