



Fabchem China Limited

FOR IMMEDIATE RELEASE

Fabchem Posts Full Year Net Earnings of RMB 42.2 million on Revenue of RMB 181.4 million

Singapore, 28 May 2007 – Fabchem China Limited (Bloomberg: FABC SP) today announced its full year results for the financial year ended 31 March 2007. The Company reported a net profit of RMB 42.2 million on revenue of RMB 181.4 million.

Financial Highlights

	Financial Year Ended 31 March 2007	Financial Year Ended 31 March 2006	Change (%)
(RMB'000)			
Revenue	181,391	155,745	16.5
Gross Profit	71,566	69,063	3.6
Profit Before Tax	45,427	54,081	(16.0)
Net Profit	42,206	54,081	(22.0)
Gross Profit Margin (%)	39.5	44.3	(4.8)

Revenue increase by 16.5% to RMB 181.4 million compared to FY2006 due mainly to an increase in sales to the China market such as Zhejiang, Shanxi and Anhui, as well as the increase in sales to overseas market such as South Africa. This increase in sales is partially offset by the decrease in sales to Australia. There were no sales to USA during FY2007.

Gross profit margin declined by 4.8% to 39.5% in FY2007 due mainly to a reduction in the usage of alternative explosive chemicals which was sourced at very competitive prices. The Group expects a positive impact on the gross profit margin as the alternative explosive chemicals are made available since April 2007.

Net profit declined by 22.0% to RMB 42.2 million due mainly to the decline in the gross profit margin as well as increase in distribution costs by 50.7% and administrative expenses by 112.2% compared to the prior financial year. The increase in distribution cost is in tandem to the increase in revenue. The increase in administrative expense is due mainly to the increased operations of the Group and additional corporate expenses incurred since the Group was listed on Singapore Exchange Securities Trading Limited in April 2006.





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As stated in the Prospectus dated 5 April 2006, the Company will be distributing dividends at not less than 15% of its net profits to shareholders for its financial year ended 31 March 2007. The Board of Directors has recommended a cash dividend of 0.5302 Singapore cents per share. The date payable and books closure date will be announced through the SGXNET in due course.

Outlook

The Group is optimistic about the growth potential of China's commercial explosive market as the industry is currently undergoing a consolidation stage.

Fabchem's Managing Director Mr. Sun Bowen said: "The Commission of Science, Technology and Industry for National Defense is currently encouraging the commercial explosives industry in China to consolidate and to eliminate those smaller scale commercial explosive companies. The management team has been evaluating the options available to the Group to take advantage of this opportune time to increase the production capacity of the Group in various categories of commercial explosive devices as well as other related businesses."

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Background

Fabchem (Bloomberg: FABC SP) is one of the leading manufacturers of commercial explosive devices in China. The Group's principal business activity is in the production and sale of commercial explosives products, comprising explosive devices, initiators and detonators, both under its own brand name ("Yinguang") and those of third parties. It also provides after-sales services to its customers such as technical assistance related to the detonating activities.

The Group's products are mainly used by the mining, hydroelectric and infrastructure construction industries, for activities such as coal mining, oil & gas exploration, construction of hydroelectric dams, roads and railways, and large construction projects. The Group sells its products to more than 10 countries, including the United States of America, China, Australia and South Africa.

