



Fabchem China Limited

FOR IMMEDIATE RELEASE

FABCHEM CHINA ADVANCES FORWARD WITH PROPOSED ACQUISITION OF AMMONIA NITRATE BUSINESS

Singapore, 19th December 2007 – Fabchem China Limited (“Fabchem China”, “中国杰化” or the “Group”), a SGX mainboard-listed leading manufacturer of commercial explosive devices in China, today announced that its wholly-owned subsidiary Shandong Yinguang Technology Co., Ltd. has on 19th December 2007 entered into an Equity Purchase Agreement (“EPA”) to acquire the entire equity interest of Hebei Yinguang Chemical Co., Ltd (“Proposed Acquisition”), a company principally engaged in the business of manufacturing and selling Ammonia Nitrate within China.

In the Proposed Acquisition, Shandong Yinguang Chemical Group Co. Ltd (“Vendor”) shall sell, and Shandong Yinguang Technology Co., Ltd (“Purchaser”) shall purchase, the equity interest of the Hebei Yinguang Chemical Co. Ltd (“Hebei Yinguang” or “Target Company”) representing one hundred percent (100%) of the Target Company's registered capital of RMB 9 million (the “Equity Interest”) at an aggregate purchase price of RMB 24.1 million (the “Purchase Price”).

The Purchase Price was arrived at on a willing buyer-willing seller basis and determined based on the aggregate amount of the Equity Interest of RMB 9 million as at the date of the EPA and an existing shareholder's loan of approximately RMB 15.1 million owing by the Target Company to the Vendor (the “Shareholder's Loan”) as at the date of the EPA. The Shareholder's Loan will be assigned to the Purchaser as part of the Acquisition.

Hebei Yinguang is a wholly-owned subsidiary of the Vendor. It is a company incorporated in the PRC and is located at Chenlin, West of Linxi County, Hebei Province, China. Hebei Yinguang has a total land area of 127,000 m² and build-up of 20,000 m².

Group's Managing Director, Mr Sun Bowen elaborates on the Group's strategy: “Objectively, our vision is to become a fully integrated service provider to our customers with operations ranging from raw materials processing, production of explosives to distribution of initiation systems. The current proposal to acquire a company which is capable of producing 30,000 tonnes of Ammonia Nitrate per annum will allow the Group to go upstream of the value chain. In this way, we will be a unique value tool to differentiate ourselves from other commercial explosives manufacturer based in China.”

Ammonia Nitrate is considered within the commercial explosives industry to be a key source of material for the production of explosives. Currently, the market price of Ammonia Nitrate is approximately RMB 1,400 per ton.

The Group has stated in previous announcements and in its 2007 Annual Report that it will expand in China through the acquisition of suitable businesses as its well as organic growth of building new production facilities.





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Mr Sun further elaborates: “The Proposed Acquisition is the first step to implement our Group’s integrated business model in China. This business is uniquely located in Hebei Province of China and it serves as an opportunity to start a firm relationship with the Hebei Province Office of Science, Technology and Industry for National Defence (“Hebei COSTIND”). In addition, after the acquisition is completed, this business will be a good platform to support the sales growth of our initiations systems as well as to evaluate future potential acquisitions opportunities within Hebei Province.”

Fabchem China plans to deploy resources to expand the production capacity by 40,000 tonnes or 133% to 70,000 tonnes by the first half of FY2009. When the whole project is completed, Fabchem China will be well positioned as one of the major players in the production of Ammonia Nitrate business around the North Eastern region of China.

According to the State Council No. 52 amendment in 2002, China has stopped issuing new Ammonia Nitrate license and sales of Ammonia Nitrate is subject to the explosives sales management, thus barrier to entry has been increased. Additionally, with the regulation on the sales of Ammonia Nitrate for explosives use, it becomes difficult for those Ammonia Nitrate manufacturers who are currently focusing on fertilizer business to supply Ammonia Nitrate to explosives manufacturers.

Notes:-

Fabchem China’s major shareholders and directors, Sun Bowen and Bao Hongwei, are also the directors of the Vendor and has an aggregate direct and indirect interest of 62.4% and 6.0% of the registered capital of the Vendor respectively, as at the date of this announcement. As such, Sun Bowen and Bao Hongwei are deemed to be an interested person with respect to the Proposed Acquisition and the Proposed Acquisition is deemed an Interested Person Transaction within the meaning defined in Chapter 9 of the Listing Manual.

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More about Fabchem China Limited (“Fabchem China”)

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Headquartered in the Republic of Singapore with wholly-owned subsidiary based in the Shandong province in China, Fabchem China is one of the leading manufacturers of commercial explosive devices in China. It has one of the five export agent licenses granted by the authority in China to export commercial explosives devices. 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 and gas exploration activities. Fabchem China’s products are sold in more than 10 countries, including China, Australia and South Africa.

For more information, please contact:-

Fabchem China Limited

Mr. Nicholas Fong, CFA

Email : nicholasfong@fabchemchina.com

Tel : +65 6265 5918

Fax : +65 6268 2447

39 Fishery Port Road, Jurong, Singapore 619745 | Tel: (65) 6265 5918 | Fax: (65) 6268 2447 | www.fabchemchina.com
(Company No: 200413128G)

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