Fabchem China Limited

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FABCHEM 3QFY08 NET INCOME SURGES TO RMB 14 MILLION ON REVENUE OF RMB 60 MILLION

- ***Net Profit Increased 59% to RMB 14 million from RMB 9 million***
- ***Gross Profit Grew 70% to RMB 26 million from RMB 15 million***
- ***Gross Profit Margin Improved to 43.3% from 36.9%***

Singapore, 13th February 2008 – Fabchem China Limited ("Fabchem" or the "Group"), a SGX mainboard-listed leading manufacturer of commercial explosive devices in China, today reported its three months results ended 31 December 2007. This is the Group's first quarterly results announcement since its listing in April 2006. Previously, the Group was only required to announce half year results and full year results. Moving forward, the Group will be announcing its quarterly results according to SGX's new requirement.

Financial Highlights

	3 Months Ended 31 Dec 2007	3 Months Ended 31 Dec 2006	*Change (%)*	9 Months Ended 31 Dec 2007	9 Months Ended 31 Dec 2006	*Change (%)*
	3QFY08	**3QFY07**		**9MFY08**	**9MFY07**	
(RMB'000)						
Revenue	59,815	41,214	*45.1*	157,619	115,702	*36.2*
Gross Profit	25,895	15,200	*70.4*	66,639	45,289	*47.1*
Profit Before Tax	16,953	8,540	*98.5*	43,927	27,203	*61.5*
Net Profit	13,553	8,540	*58.7*	35,658	27,203	*31.1*
EPS (RMB Cents)	5.79	3.65	*58.6*	15.24	11.80	*29.2*
GP Margin (%)	43.3	36.9	*17.3*	42.3	39.1	*8.2*

The Group reported a net profit of RMB 13.6 million on revenue of RMB 59.8 million for its 3Q FY08 results. This was achieved mainly due to increase in sales by 45.1 per cent and improvement in gross profit margin to 43.3 per cent during the financial period.

According to an announcement by the Commission of Science, Technology and Industry for National Defense ("CONSTIND") dated 2 January 2008, for the first nine months of 2007, total sales of commercial explosives was approximately RMB 13.4 billion, which represents a growth of 20.3 per cent compared to the comparable period in 2006. The CONSTIND further commented in the announcement that the commercial explosives industry in China is experienced a healthy growth trend in 2007.

Commenting on the results, the Group Managing Director, Mr Sun Bowen, said, "We experienced significant growth in sales in China, which increased by 75.8 per cent to RMB 40.4 million for the three months ended 31 December 2007. This is very encouraging as the demand for our products has been increasing at a rate that is relatively higher than the general industry is experiencing".

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GROUP'S GROWTH STRATEGY

Fabchem is currently in a growth stage and is actively pursuing the expansion strategy through organic growth as well as opportunistic acquisitions of assets that are strategically important for the Group to become a fully integrated commercial explosives producer and distributor.

"In China, we will focus on the completion of our two new production facilities which are expected to be earnings accretive for FY2009. In terms of the overseas market, we view South Africa (RSA) as an important export market for our initiation systems products. We will continue the marketing activities in this growing market," Mr Sun Bowen said.

As disclosed previously, the Group has proposed an acquisition of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"). Hebei Yinguang is principally engaged in the business of manufacturing and selling of ammonium nitrate. Ammonium nitrate is a major raw material for explosives. With involvement of such specialty raw material, the Group's supply chain management will be enhanced as it goes upstream to the processing of raw materials. Further, the Group will be developing a foothold in Hebei province which is a strategic location for Chinese customers and suppliers.

SHORTAGE OF COAL SUPPLY IN CHINA DUE TO SEVERE WINTER CONDITIONS

At the end of January 2008, the severe winter conditions in the central, eastern and southern parts of China resulted in an unexpected surge in coal usage as a supply of energy for power generation. Coal represents about 70 per cent of the energy supply in China. Coal supply in China decreased because of the unexpected surge in demand for energy during the period. The supplies of coal for power generation had fallen to just 21 million tonnes which is less than half the normal amount for this time of year.

"We expect coal mine operators to increase their mining activities in China in response to the coal shortages in the market. Our marketing personnel are ready to handle the enquiries from these customers and to provide them with the necessary orders" said Mr Sun assuring customers the Group's resources will be readily available to support their needs.

SUMMARY OF OPERATIONAL AND FINANCIAL REVIEW (3QFY08 versus 3QFY07)

Revenue
Revenue increased by approximately RMB 18.6 million or 45.1 per cent mainly due to increased sales in China and to export distributors. Sales within China increased by approximately RMB 17.4 million or 75.8 per cent as a result of significant increase in sales of two new products: seismic charges and piston non-electric detonators. Export sales increased by RMB 1.2 million or 6.5 per cent due mainly to increase in customers' shipping requirements for delivery of goods through export distributors which is partially mitigated by a decline in export sales to Australia.

Gross Profit Margin
Gross profit margin improved from 36.9 per cent to 43.3 per cent as a result of increased sourcing efficiencies and utilization of re-processed raw materials.

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Operating and Other Expenses

Distribution costs decreased by approximately RMB 0.2 million or 7.3 per cent mainly due to the lower bulk discounts given to customers. General and administrative expenses increased by approximately RMB 2.7 million or 69.7 per cent mainly as a result of the increase in corporate expenses and expenses related to an increase in revenue, e.g. provision for safety expenses as required by CONSTIND.

Income Tax Expenses

According to the Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises of China, the profits derived during the calendar year 2005 and 2006 were exempted from income tax. With effect from 1 January 2007, Yinguang Technology is liable to pay 15 per cent tax, representing 50 per cent of the state income tax of 30 per cent, for three consecutive years.

Ends

More about Fabchem China Limited

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Headquartered in the Republic of Singapore with fully owned subsidiary based in the Shandong province in China, Fabchem is one of the leading manufacturers of commercial explosive devices in China. Its products include explosive devices (boosters, seismic charges 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's products are sold in more than 10 countries, including China, Australia and South Africa.

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