



## Fabchem China Limited

### FOR IMMEDIATE RELEASE

## FABCHEM FY2009 FIRST QUARTER NET PROFIT INCREASED 31% TO RMB 12 MILLION ON REVENUE OF RMB 48 MILLION

- ❖ *Gross Profit Margin Enhanced to 42.5% from 40.1%*
- ❖ *Earnings Per Share Improved 31.4% to 4.94 RMB cents*
- ❖ *Expansion Plans of Two Facilities Progressing as Expected*

Singapore, 11<sup>th</sup> August 2008 – Fabchem China Limited (“Fabchem” or the “Group”), a SGX mainboard-listed leading manufacturer of initiation systems in China, today reported its first quarter results ended 30 June 2008 (“1Q2009”).

### Financial Highlights

	3 months ended 30 June 2008 ("1Q2009")	3 months ended 30 June 2007 ("1Q2008")	Change
	RMB'000	RMB'000	%
Revenue	48,036	41,107	16.9
Gross Profit	20,416	16,501	23.7
Profit Before Tax	13,569	10,793	25.7
Net Profit	11,568	8,810	31.3
EPS (RMB Cents)	4.94	3.76	31.4
GP Margin (%)	42.5	40.1	6.0

### SUMMARY OF FINANCIAL REVIEW (1Q2009 VERSUS 1Q2008)

#### **Revenue**

Revenue increased by approximately RMB 6.9 million or 16.9 per cent mainly due to increase in sales within PRC. Sales within PRC increase by approximately RMB 14.2 million or 47.4 per cent. There were no sales to South Africa market. Sales through export distributors and Australia were lower mainly due to the different shipping requirements for delivery of goods.

#### **Gross Profit Margin**

Gross profit margin improved by 2.4 percentage points from 40.1 per cent to 42.5 per cent as a result of change in product sales mix.





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### ***Operating and Other Expenses***

Distribution costs increased by approximately RMB 0.6 million or 41.7 per cent mainly due to the increase in transportation costs. General and administrative expenses increased by approximately RMB 0.8 million or 19.1 per cent mainly as a result of the increase in corporate expenses and safety expenses.

### ***Income Tax Expenses***

The effective tax rate is 14.7 per cent compared to 18.4 per cent of the prior corresponding period. With effect from 1 January 2007, Shandong Yinguang Technology Co., Ltd (“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. With the lowering of state income tax from 30.0 per cent to 25.0 per cent with effect from 1 January 2008, Yinguang Technology is liable to pay a reduced tax rate of 12.5 per cent, representing 50.0 per cent of the state income tax of 25.0 per cent, for 2 years from 1 January 2008 to 31 December 2009. Yinguang Technology is exempted from paying the provincial income tax of 3.0 per cent during its years of operations.

### **Updates on Group’s Expansion Plans in China**

#### ***Boosters and Detonators Facilities***

The Group has been focusing on the completion of Boosters and Piston non-electric detonators production facilities which are expected to be earnings accretive for FY2009. The Group expects the commencement of the two new production facilities will further strengthen its booster leadership position in China and will be the largest non-electric detonators producer in China.

The construction of these two production facilities is progressing well as expected. The Group expects these two new production facilities to commence commercial production in second half of FY2009.

#### ***Mergers and Acquisitions***

The Group has proposed the acquisition of Hebei Yinguang Chemical Co., Ltd (“Hebei Yinguang”) which is principally engaged in the business of manufacturing and selling ammonium nitrate. Ammonium Nitrate is considered as a major raw material for explosives. The manufacturing facility has a production capacity of 30,000 tonnes of Ammonium Nitrate and there is a plan to increase the production capacity by another 40,000 tonnes or 133% to 70,000 tonnes.





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With the integration of such specialty raw material into the business, Fabchem can deliver extra value to the explosives industry thus tightened the relationship with the industry for the Group's further growth.

When the project is completed, Fabchem will be well positioned as one of the major players in the production of Ammonium Nitrate business around the North Eastern region in China.

We will keep shareholders informed on the progress of this proposed acquisition in due course.

### *Use of Initial Public Offering Proceeds ("IPO Proceeds")*

For the 3 months ended 30 June 2008, the Group has utilised RMB 13.1 million of the IPO proceeds for the acquisition of equipments and machineries for Boosters and Piston non-electric detonators. Total IPO proceeds utilised up till 30 June 2008 is approximately RMB 29.4 million.

### **2008 Beijing Olympic Games**

On 10 July 2008, the Port and Shipping Authority of Qingdao released a Notice (the "PSA Notice") imposing restrictions for dangerous goods to be shipped out of Qingdao port during 25 July 2008 to 30 September 2008.

On 11 July 2008, the Ministry of Public Security of the People's Republic of China released a Notice (the "MPS Notice") imposing restrictions for transportation of dangerous goods within PRC. According to the MPS Notice, no transportation of dangerous goods to or transit through Beijing and Qingdao from the date of the MPS Notice until 30 September 2008, and no transportation of dangerous goods to or transit through Tianjin, Shanghai, Qinhuangdao and Shenyang from the date of the MPS Notice until 31 August 2008.





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On 4 August 2008, the Fei County Economy & Trade Bureau and the Power Supply Company of Fei County jointly issued a Notice (the “PSC Notice”) to our PRC subsidiary, Shandong Yinguang Technology Co., Ltd (“Yinguang Technology”), informing Yinguang Technology that there will be a power supply rationing during the Olympic Games period and Yinguang Technology will need to temporarily cease production during the period from 8 August 2008 to 24 August 2008. According to the PSC Notice, the move is to cope with the shortage of power supply currently encountered by the whole of Shandong province and also to ensure that the power supply for the Olympic Games are sufficient and will not be disrupted.

Based on the above notices, the management is of the view that both China and export sales will be adversely affected during the 2008 Beijing Olympic Games until 30 September 2008, i.e. the Group’s second quarter’s results.

**Ends**

### **About Fabchem China Limited**

Bloomberg: FABC SP

Headquartered in the Republic of Singapore, Fabchem is one of the leading manufacturers of initiation systems in China. These products are widely used in mining, infrastructure, and hydroelectric construction projects activities globally. Fabchem’s products are sold in commodity booming economies including China, Australia and South Africa.

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