



Fabchem China Limited

**MEDIA RELEASE**

**FABCHEM TO SET UP ADDITIONAL DETONATING CORDS PRODUCTION FACILITIES; SALES TO DYNO NOBEL AUSTRALIA EXPECTED TO INCREASE**

- Annual production capacity of detonating cords to be increased by 60% to 80 million meters
- Maiden sale of boosters to Dyno Nobel Australia has been well-received

**Singapore, 15<sup>th</sup> September 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 is adding new detonating cord facilities using Dyno Nobel’s technology to optimise its product sales mix in response to new market trends.

Charting its overseas expansion roadmap, sale of boosters to Dyno Nobel Australia is expected to increase progressively as its maiden sale in April 2010 has been well-received.

**Additional Detonating Cords Production Facilities**

Fabchem’s existing detonating cords production facilities have been operating at near-full capacity with an annual production output of 50 million meters. Detonating cords are mainly used in the mining industry, engineering and oil exploration projects. Recently, detonating cords have also replaced tube charges for use in stone quarry detonation including granite, marble and building materials such as large stone blocks.

To meet the additional demand from existing and new customers, the additional production of detonating cords will commence in mid FY2012, bringing the Group’s annualised production capacity to approximately 80 million meters. The related investment is approximately RMB 30.0 million which includes fittings, machineries and construction costs and will be financed by internally-generated funds.

Mr Sun Bowen, Fabchem’s Managing Director, said, “The strategic decision to expand our detonating cords operations using Dyno Nobel’s technology will position Fabchem to meet additional customer demand. It is essential that we continue to invest in our operations in line with the projected market trends and growth in demand.”

**Sales to Dyno Nobel Australia Expected to Increase**

Targeting resource-rich nations, Fabchem has been expanding its business focus in Australia. Since attaining the relevant export licenses, the Group has made significant progress by marketing and selling directly to Australia and overseas customers.



And synergistic to its business model, the Group supplies boosters, as an original equipment manufacturer (“OEM”), to Orica Limited, the world’s number one commercial explosive manufacturer. Starting from 01 January 2010, the Group has been exporting directly to Orica, without the need for a separate export agent, achieving cost savings in the process.

The recent maiden sale of boosters to Dyno Nobel Australia, on an OEM basis, has been well-received and sales are expected to increase progressively. The Group does not expect any material impact on the Group’s earnings per share for FY2011.

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.

“Building on this momentum, we seek to identify ways to scale our sales in Australia and serve our customers in the mining industry more effectively. Given the demand in existing markets, we want to develop our product offerings further and grow with our customers,” added Mr Sun.

In FY2010, the Group commenced production at its new 3,000 tonnes boosters facilities, thereby increasing total production capacity to 8,000 tonnes of boosters per annum. The Group also increased its production capabilities for piston non-electric detonators significantly by 200% to 60 million units per annum.

### **Organic Growth Initiatives in Place**

For its latest 1<sup>st</sup> quarter financial results ended 30 June 2010 (“1Q2011”), there was a continued growth in sales across key product and market segments as the Group’s revenue jumped 24.2% to RMB103.30 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.

The Group registered a net profit after tax of RMB 12.55 million amid rising raw materials prices, lower-margin products sales mix and a higher tax regime with effect from 1 January 2010.

The Group’s balance sheet remained healthy with a cash position of RMB 116.41 million at the end of June 2010.

Mr Sun concluded, “Within a supply-regulated industry, the proposed added production facilities have received support and fruitful cooperation by the Chinese authorities. With the strong business foundation and brand equity established, we expect to benefit from ongoing organic growth initiatives in our operating markets. “

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*Issued on behalf of Fabchem China Limited by ShareInvestor Pte Ltd*

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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 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 “Yinguang” 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.

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