



Fabchem China Limited

**FOR IMMEDIATE RELEASE**

**FABCHEM POSTS FIRST-HALF NET PROFIT OF RMB 21.37 MILLION ON REVENUE OF RMB 194.19 MILLION**

- Revenue contribution from ammonium nitrate business surged 93.9% year-on-year to RMB 61.99 million in 6M2011
- Revenue across traditional product segments remained relatively stable in 6M2011
- EBITDA stood at RMB 40.28 million in 6M2011
- Healthy balance sheet with strong cash position of RMB 106.62 million
- Focus on organic growth and costs containment

<i>(RMB'000)</i>	<i>2Q2011</i>	<i>2Q2010</i>	<i>Change (%)</i>	<i>6M2011</i>	<i>6M2010</i>	<i>Change (%)</i>
Revenue	90,892	84,879	+7.1	194,192	168,043	+15.6
Gross Profit	27,875	28,697	(2.9)	61,190	63,999	(4.4)
Profit Before Tax	13,484	17,021	(20.8)	31,044	40,056	(22.5)
Net Profit	8,815	10,836	(18.7)	21,368	30,442	(29.8)
EPS <sup>(1)</sup> (RMB Cents)	3.77	4.63	(18.6)	9.13	13.01	(29.8)
EBITDA <sup>(2)</sup>	18,087	22,103	(18.2)	40,280	48,167	(16.4)
<i>(RMB Cents)</i>	<i>As at 30 Sep 10</i>	<i>As at 31 Mar 10</i>	<i>Change (%)</i>			
NAV per share <sup>(1)</sup>	159.28	152.35	+4.55			

(1) Based on weighted average number of 234 million shares.

(2) EBITDA – Earnings before Interest, Tax, Depreciation and Amortisation

**Singapore, 11 November 2010** – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem” or “the Group”), announced today its financial results for the second quarter (“2Q2011”) and first half (“6M2011”) of the financial year ending 31 March 2011. Based in China, Fabchem is a leading manufacturer of initiation systems and the largest boosters and detonating cords producer within a supply-regulated industry in China.

**Ammonium Nitrate Driving Revenue Growth; Overseas Sales Increased in 6M2011**

Sales in the Group’s three traditional product groups of (a) explosive devices (b) industrial fuses and initiating explosive devices, and (c) industrial detonators remained relatively stable during the first half of its financial year.

The Group’s wholly-owned subsidiary, Hebei Yinguang Chemical Co., Ltd (“Hebei Yinguang”), a major explosive-grade ammonium nitrate manufacturing company in the PRC, recorded a 93.9% rise in revenue to RMB 61.99 million in 6M2011. Of this, RMB 36.84 million was attributed to Hebei Yinguang’s strong performance in 2Q2011 which surged 127.5% over the previous corresponding period.



Gross profit margin stood at 30.67% for 2Q2011 and 31.51% for 6M2011, after taking into account a higher proportion of lower-margin products (ammonium nitrate) in its sales mix. Similar to 1Q2011, raw materials prices increased by approximately 20% year-on-year. However, from 1Q2011 to 2Q2011, raw materials costs remained relatively unchanged. This was underpinned by the Group's risk management strategy to find new ways to mitigate rising raw material costs as market conditions changes.

Although revenue increased 15.6% to RMB 194.19 million in 6M2011, net profit attributable to shareholders dipped 29.8% to RMB 21.37 million. This was mainly attributed to the higher proportion of lower-margin products (ammonium nitrate) in its sales mix; increased transportation costs to serve end-market users directly; increased administrative expenses related to the commencement of new boosters and piston non-electric detonator production facilities; and a higher tax regime during the reporting period.

China continued to be Fabchem's main market, accounting for 87.3% of the Group's 6M2011 revenue. And for the same period, the Group's overseas sales climbed 18.3% to RMB 24.57 million.

Commenting on the Group's results, Mr Sun Bowen, Fabchem's Managing Director, said, "During 2Q2011, sales of explosive devices were affected by the shipping schedules of our Australian customers. In addition to the rainy season (which affected mining operations), the closure of a customer's mine due to a fire accident resulted in neighbouring mines to be closed as well for inspections and maintenance. These incidents further undermined our sales efforts in our traditional product groups."

"In spite of seasonally lower customer activities, demand for Fabchem's high-quality products from end-market users in the mining, exploration, infrastructure and construction industries remained strong, particularly in our overseas markets. And strategic to our business model, Hebei Yinguang boosted our revenue and profit base as market demand for ammonium nitrate improved significantly."

"Our EBITDA of RMB 40.28 million achieved in 6M2011 reflects the resiliency of our business. At the same time, we are focused on costs containment to enhance our market competitiveness in new and existing markets."

### **Healthy Balance Sheet with Strong Cash Position of RMB 106.62 million**

Guided by its conservative financial management policy, the Group's balance sheet remained healthy with total assets of RMB 517.66 million as at the end of September 2010. The Group's cash position remained stable with net cash balance of RMB 106.62 million.

As at 30 September 2010, shareholders' equity was RMB 372.71 million, up 4.5% or RMB 16.21 million higher than 31 March 2010. Net asset value per share stood at RMB 159.28 cents, up 4.5% or RMB 6.93 cents from 31 March 2010.

The Group also recorded RMB 144.95 million in total liabilities, of which the major portion was attributable to trade and other payables, and RMB 40.67 million in borrowings at the end of September 2010. The borrowings were consolidated from Hebei Yinguang.

### **Focus on Organic Growth & Costs Containment**

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.

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And recently, the Group announced 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.

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.

Fabchem's existing detonating cords production facilities have been operating at near-full capacity with an annual production output of 50 million meters.

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 said, "Leveraging on our established 30-year track record, the Group has successfully expanded its production capabilities, augmenting its market position in China amidst a supply-regulated industry. It is essential that we continue to invest in our operations aligned with the projected market trends."

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

The maiden sale of boosters to Dyno Nobel Australia, on an OEM basis, has been well-received and sales are expected to increase progressively.

Mr Sun concluded, "Looking beyond the short term horizon, the Group retains a cautious optimism about its longer term prospects. The Group continues to adopt a prudent outlook for FY2011, during which it intends to continue to focus on costs containment and market diversification."

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This document is to be read in conjunction with Fabchem's exchange filings on 11 November 2010, which can be downloaded via [www.sgx.com](http://www.sgx.com).

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

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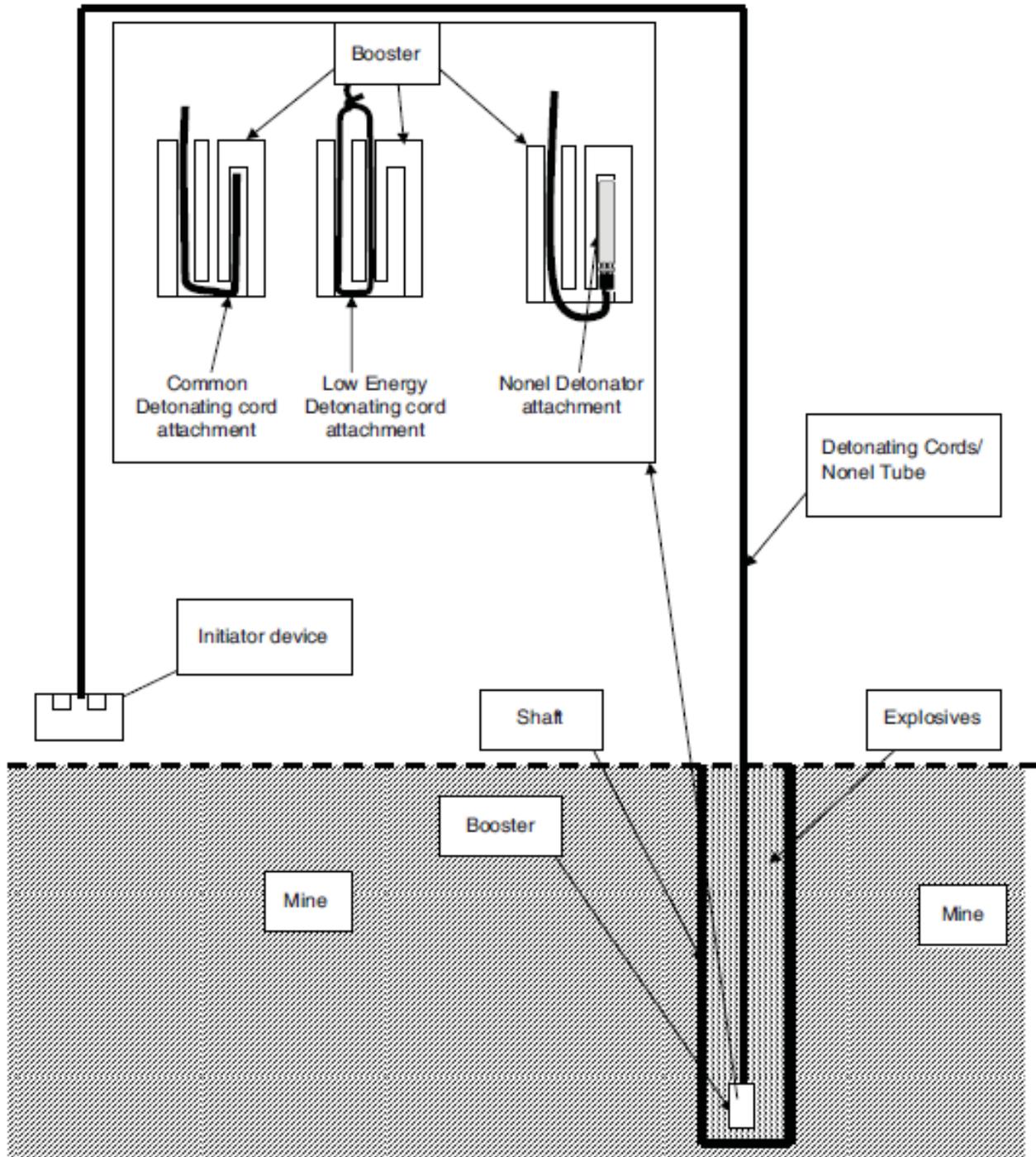
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## Usage Diagram

The following diagram illustrates the usage of our products in a simplified explosive set-up:-



Note: The diagram and the products shown above are not drawn to scale.

Source: Fabchem China Limited