



Fabchem China Limited

## FABCHEM'S REVENUE JUMPS 57.5% WITH A NET PROFIT GROWTH OF 7.9% FOR 3Q2011; NEGOTIATING ONE YEAR SUPPLY CONTRACT WITH DYNONOBEL AUSTRALIA

- Growth registered across all product segments with ammonium nitrate leading revenue growth in 9M2011
- Double-digit growth in domestic and overseas sales
- EBITDA stood at RMB 64.16 million in 9M2011 with strong cash position of RMB 123.14 million
- New measures on all booster production facilities in China to improve safety standards
- Updates on Australia's market segment

<i>(RMB'000)</i>	<i>3Q2011</i>	<i>3Q2010</i>	<i>Change (%)</i>	<i>9M2011</i>	<i>9M2010</i>	<i>Change (%)</i>
Revenue	127,844	81,151	+57.5	322,036	249,194	+29.2
Gross Profit	39,362	28,302	+39.1	100,552	92,301	+8.9
Profit Before Tax	19,358	14,397	+34.5	50,402	54,453	(7.4)
Net Profit	13,166	12,203	+7.9	34,534	42,645	(19.0)
EPS <sup>(1)</sup> (RMB Cents)	5.63	5.21	+8.1	14.76	18.22	(19.0)
EBITDA <sup>(2)</sup>	23,879	18,130	+31.7	64,159	66,297	(3.2)
<i>(RMB Cents)</i>	<i>As at 31 Dec 10</i>	<i>As at 31 Mar 10</i>	<i>Change (%)</i>			
NAV per share <sup>(1)</sup>	164.93	152.35	+8.3			

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

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

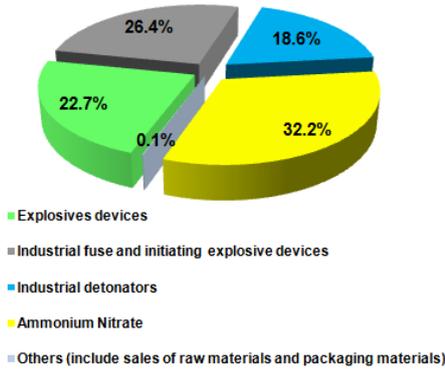
**Singapore, 14 February 2011** – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem” or “the Group”), announced today its financial results for the third quarter (“3Q2011”) of the financial year ending 31 March 2011. Based in China, Fabchem is a leading manufacturer of initiation systems and the largest boosters and detonating cords producer within a supply-regulated industry in China where foreign involvement are restricted.

### Growth Registered Across All Product Segments; Ammonium Nitrate Leading Revenue Growth in 9M2011

Underpinned by China's sustained economic growth, domestic mining and infrastructure activities remained robust. As a result, sales in the Group's four product groups of (a) explosive devices (b) industrial fuses and initiating explosive devices, (c) industrial detonators and (d) explosive-grade ammonium nitrate steadily increased during 9M2011.



**9M2011 Revenue Breakdown by Products**



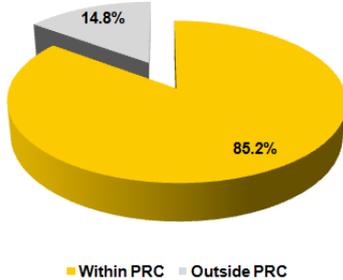
Notably, the Group's wholly-owned subsidiary, Hebei Yinguang Chemical Co., Ltd, a major explosive-grade ammonium nitrate manufacturing company in China, recorded a 97.6% rise in revenue to RMB 103.69 million in 9M2011, thereby contributing significantly to the Group's total revenue.

Gross profit margin stood at 30.8% for 3Q2011 and 31.2% for 9M2011, after taking into account a higher proportion of lower-margin products (ammonium nitrate) in its sales mix.

Although raw materials prices increased by approximately 20% year-on-year, the Group's risk and cost management strategy has maintained a stable gross profit margin during this financial year as evident by the gross margin of 30.7% recorded in 2Q2011.

While revenue increased 29.2% to RMB 322.04 million in 9M2011, profit attributable to shareholders dipped 19.0% to RMB 34.53 million. This was mainly attributed to the higher proportion of lower-margin products in its sales mix; increased transportation costs to serve end-market users directly; increased port charges due to higher export sales; 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.

**9M2011 Revenue Breakdown by Geographical Segments**

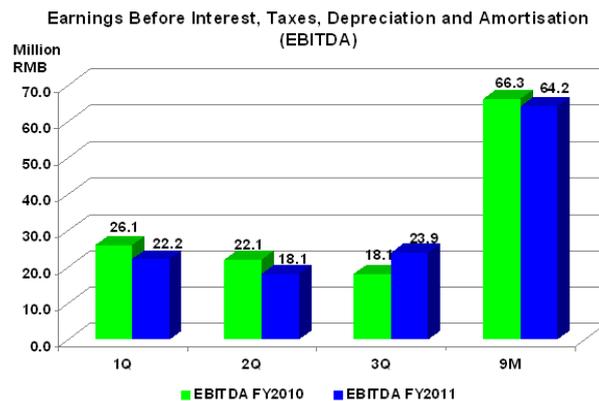


The Group recorded revenue growth of 28.7% from its Chinese market during 9M2011, which accounted for 85.2% of the Group's total revenue.

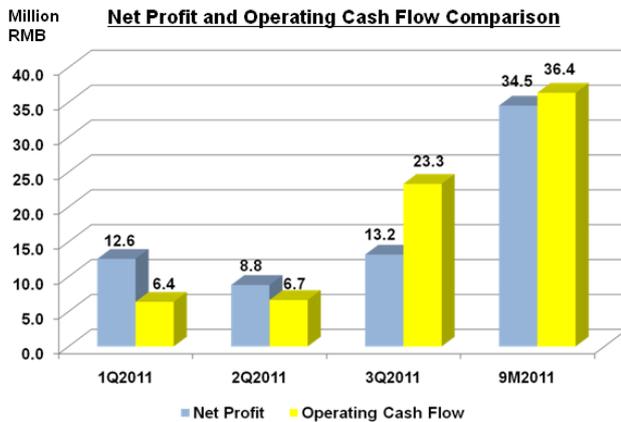
At the same time, the Group's overseas sales climbed 32.2% to RMB 47.63 million.

Commenting on the Group's 9M2011 results, Mr Sun Bowen, Fabchem's Managing Director, highlighted, "Building on the momentum of China's economic growth, the Group's four product segments have continued to achieve steady growth. While we are focused on improving efficiency and reducing costs across the whole business, the diversity of our product portfolio and our ability to innovate provide significant momentum in enhancing our market competitiveness in new and existing markets.

Our EBITDA of RMB 64.16 million achieved in 9M2011 underscores the resiliency and strong foundation of our business in this supply-regulated industry."



## Healthy Balance Sheet with Strong Cash Position of RMB 123.14 million



Guided by a conservative financial management policy, the Group's balance sheet remained healthy with total assets of RMB 545.07 million as at the end of December 2010. The Group's cash position remained stable with net cash balance of RMB 123.14 million.

As at 31 December 2010, shareholders' equity was RMB 385.95 million, up 8.3% or RMB 29.44 million higher than 31 March 2010. Net asset value per share stood at RMB 164.93 cents, up 8.3% or RMB 12.58 cents from 31 March 2010.

Mr Sun Bowen said, "Maintaining a strong financial position to fund the growth and development of the Group's business, we are driven to improve on our operational cash flow management."

### New measures on all booster production facilities in China to improve safety standard

Recently, the Chinese authorities introduced new industry-wide measures to improve the safety standards of boosters production facilities. As a result, the Group's production capacity of boosters is reduced from 8,000 tonnes to 5,000 tonnes annually.

Mr Sun said, "Our revised boosters production capacity of 5,000 tonnes annually remains the largest in China. We have not reached full utilisation and we have the capacity to increase our boosters production in accordance to domestic and overseas market demand."

### Updates on Australia's Market Segment

On the impact of Cyclone Yasi and the recent flooding in Australia to the Group's business, Mr Sun said, "While the closure of the affected mines may inevitably affect our overall export sales, we have made good progress in our geographical expansion over the years and we are well-positioned to minimise this impact on revenue and profitability."

Nevertheless, the Group has been extending its efforts to build its business presence in new and existing markets. Following the maiden sale of boosters to Dyno Nobel Australia, on an OEM basis, the Group is currently negotiating a one year booster supply contract with Dyno Nobel Australia.

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.

Mr Sun concluded, "We will continue to enhance our product portfolio that is aligned with market trends to build an enduring growth business. Firmly focused on costs containment and market diversification, the Group continues to adopt a prudent outlook for FY2011 and retains a cautious optimism about its longer term prospects."

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This document is to be read in conjunction with Fabchem's exchange filings on 14 February 2011, 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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## **About Fabchem China Limited (“Fabchem” or “the Group”)**

Listed on the Singapore Exchange Mainboard, Fabchem is one of the leading manufacturers of initiation systems and the largest boosters and detonating cords producer within a supply-regulated industry in China.. Fabchem's products are widely used in the mining, energy exploration, hydroelectric and infrastructure construction sectors. These include explosive devices (boosters, tube charges 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 synonymous with safety, reliability and high quality. Fabchem's reputation as an established initiation systems producer of international-standard quality has strengthened its competitive positioning within commodities-driven economies.

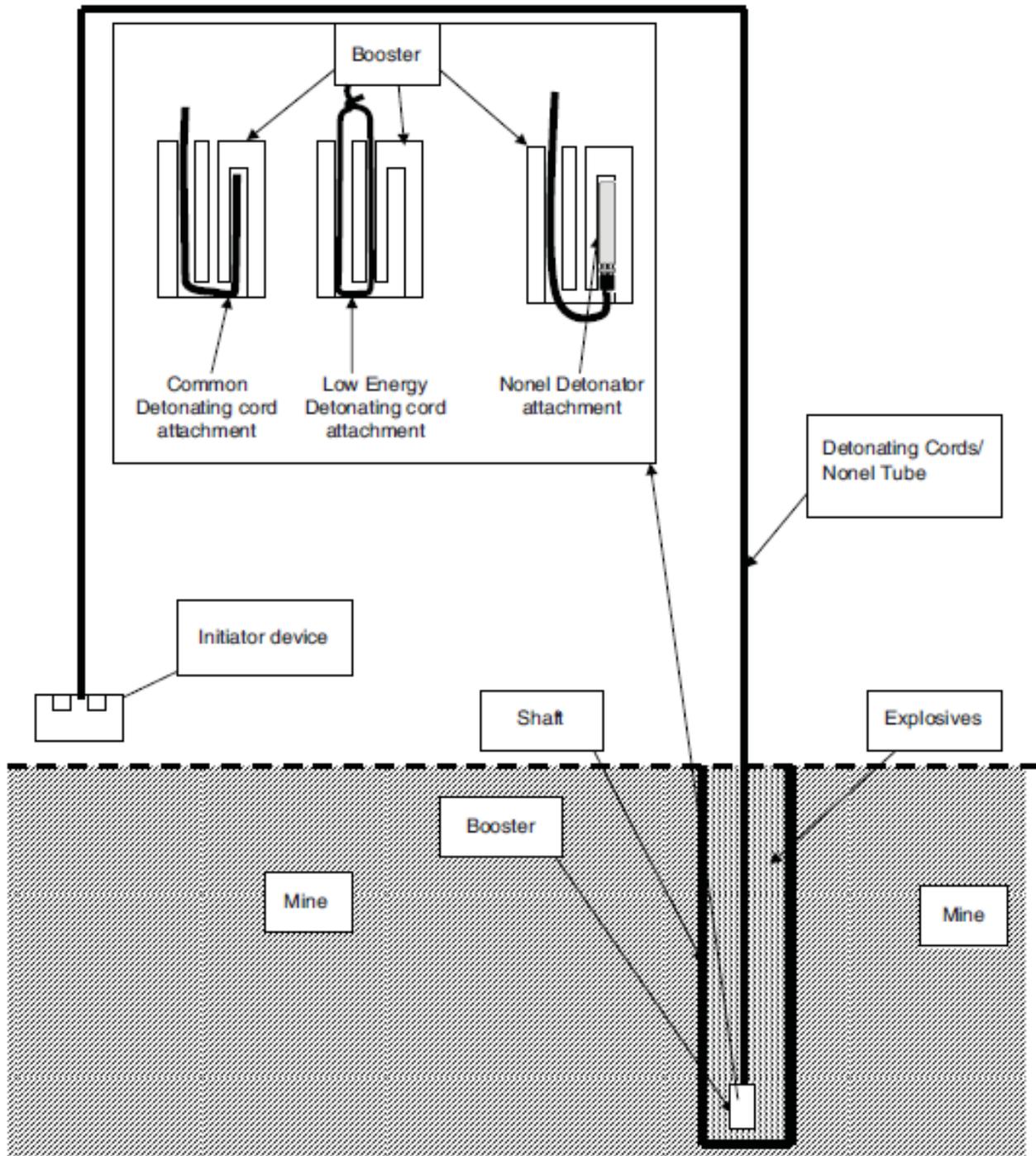
## **English-Chinese Glossary**

Fabchem China Limited	中国杰化有限公司
<i>Explosive Devices</i>	
Booster	起爆具
Seismic Charge	震源药柱
Tube Charge	爆裂管
<i>Industrial fuses and initiating explosive devices</i>	
Detonating Cord	导爆索
Non-Electric Tube	导爆管
<i>Industrial detonators</i>	
Piston Non-Electric Detonator	活塞式导爆管雷管
Ammonium Nitrate	硝酸铵

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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