



Fabchem China Limited

HEADWINDS CONTINUE IN 3Q2014

- Market conditions for commercial explosives and ammonia nitrate remain weak amid lower economic growth in China
- Overseas markets, particularly Australia, remain resilient with 16.6% growth in 3Q2014
- Balance sheet remained healthy with cash and cash equivalents of RMB 138.15 million and gearing of 0.16x⁽¹⁾

<i>(RMB' million)</i>	3Q2014	3Q2013	Change (%)	9M2014	9M2013	Change (%)
Revenue	94.16	97.27	(3.2)	314.73	390.00	(19.3)
Gross Profit	25.17	24.52	(5.2)	77.02	111.74	(31.1)
Profit Before Tax	4.33	7.22	(40.0)	17.81	53.91	(67.0)
Net Profit	0.70	4.22	(83.5)	8.08	32.43	(75.1)
EPS ⁽²⁾ (RMB Cents)	0.30	1.81	(83.5)	3.45	13.86	(75.1)
EBITDA ⁽³⁾	11.57	12.75	(9.2)	39.28	71.38	(45.0)
<i>(RMB Cents)</i>	As at 31 Dec 13	As at 31 Mar 13	Change (%)			
NAV per share ⁽²⁾	196.21	196.75	(0.3)			

(1) Gearing = Total Borrowings and Debts Securities/ Total Assets

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

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

Singapore, 7 February 2014 – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem”, “中国杰化有限公司” or “the Group”), announced today its financial results for the third quarter (“3Q2014”) and nine months (“9M2014”) for the financial year ending 31 March 2014.

Based in China with a safety track record of more than 30 years, Fabchem is a leading manufacturer of initiation systems and the largest booster and detonating cord producer in the supply-regulated industry in China, where foreign involvement is restricted.

ASX-listed Incitec Pivot Limited, via the world’s second largest commercial explosives manufacturer, Dyno Nobel, owns a 29.9% strategic stake in Fabchem.



Financial Performance Review for 9M2014

Lower economic growth in China has led to reduced mining activities. As a result, demand for commercial explosives and ammonium nitrate remains weak domestically, particularly the ammonium market has been under considerable pressures over the recent financial periods under review.

Notably, the market-driven selling prices of ammonium nitrate further deteriorated by approximately 18.5% during 9M2014 as compared to 9M2013. It is projected that the Group's ammonium nitrate business will continue to incur operating losses until market demand improves.

With declining revenue contribution from all of its product segments except industrial detonators, the Group's overall revenue dipped 3.2% to RMB 94.16 million in 3Q2014 (On a 9M2014 basis, overall revenue declined 19.3% to RMB 314.73 million).

On a brighter note, the weaker demand in the Chinese market was offset by resilient growth posted by the overseas markets, particularly in Australia, in 3Q2014.

As an Original Equipment Manufacturer ("OEM") to global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, Fabchem has been gaining momentum in overseas markets with its reliable and cost-effective specialised products.

While the Group experienced lower market-driven selling prices for ammonium nitrate, higher raw material prices (in particular PETN and RDX) and the temporary cease production directive during May and June 2013, overall gross profit margin inched up marginally by 1.5 percentage points from 25.2% in 3Q2013 to 26.7% in 3Q2014 on improved production efficiencies and cost saving initiatives. On a 9M2014 basis, overall gross margin dipped by approximately 4.1 percentage points to 24.5%.

As such, the Group registered gross profit of RMB 25.17 million in 3M2014 (3M2013: RMB24.52 million). On a 9M2014 basis, the Group posted gross profit of RMB 77.02 million (9M2013: RMB 111.74 million).

Although the Group's operating expenses decreased in line with the Group's lower revenue recorded in 9M2014, the percentage decrease in operating expenses was still lower than the percentage reduction in revenue as there were fixed costs components as well as higher salary costs and transportation expenses incurred.

In addition, financial costs increased due to the increase in bank loans obtained in relation to the acquisition of the Property at Fei County, Linyi City, Shandong Province, PRC where the Group's manufacturing facilities and warehouses (for the production of the Group's initiation systems products) are located. For further information, please refer to the Group's earlier announcements and the Circular to Shareholders dated 12 July 2011.

In summary, the Group's profit attributable to shareholders stood at RMB 0.70 million and RMB 8.08 million in 3Q2014 and 9M2014 respectively. On an EBITDA basis, the Group's EBITDA in 9M2014 dipped 45.0% to RMB 39.3 million from RMB 71.4 million in 9M2013.

Commenting on the Group's latest third quarter results, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “The near-term market conditions of this highly regulated and niche industry remain challenging amid the slowdown in China's economic growth, which was reflected in our lower sales.

While strengthening our presence in existing and new markets, we are continuing to take measures to improve our operational excellence and cost competitiveness. These are significant steps in positioning our highly specialised business on a firm footing to drive value creation for all our stakeholders.”

Healthy Balance Sheet with Strong Cash Position

Guided by its prudent financial approach and emphasis on a low-risk balance sheet, total assets stood at RMB 691.65 million as at 31 December 2013 with a gearing of 0.16x and a cash and cash equivalent position of RMB 138.15 million.

As at 31 December 2013, shareholders' equity stood at RMB 459.14 million, while net asset value per share stood at RMB 196.21 cents.

At the end of December 2013, the Group's total liabilities stood at RMB 232.51 million, of which the major portion was attributable to trade and other payables of RMB 112.56 million and other financial liabilities of RMB 112.21 million.

Corporate Updates in 3Q2014

In light of the unfortunate accident at an unrelated producer's commercial explosive manufacturing plant in Jinan, Shandong Province on 20 May 2013, all commercial explosives manufacturing plants in China are subjected to more stringent safety checks and controls implemented by the relevant authorities.

As such, the Group has been requested for the early retirement of some of its existing detonating cords' machinery and equipment. This will result in a capital investment of approximately RMB 7.0 million, which will be fully funded via internal resources.

Moving forward, the Group will continue to update shareholders on the progress of its growth plans and macro industry trends.

– END –

This document is to be read in conjunction with Fabchem's exchange filings on 7 February 2014, which can be downloaded via www.sgx.com.

For any enquires on Fabchem's latest financial results announcement, pls email: ir@fabchemchina.com

About Fabchem China Limited (Bloomberg Code: FABC:SP / Reuters Code: FBCH.SI)

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 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

Explosive Devices

Booster	起爆具
Seismic Charge	震源药柱

Industrial Fuses and Initiating Explosive Devices

Detonating Cord	导爆索
Non-Electric Tube	导爆管

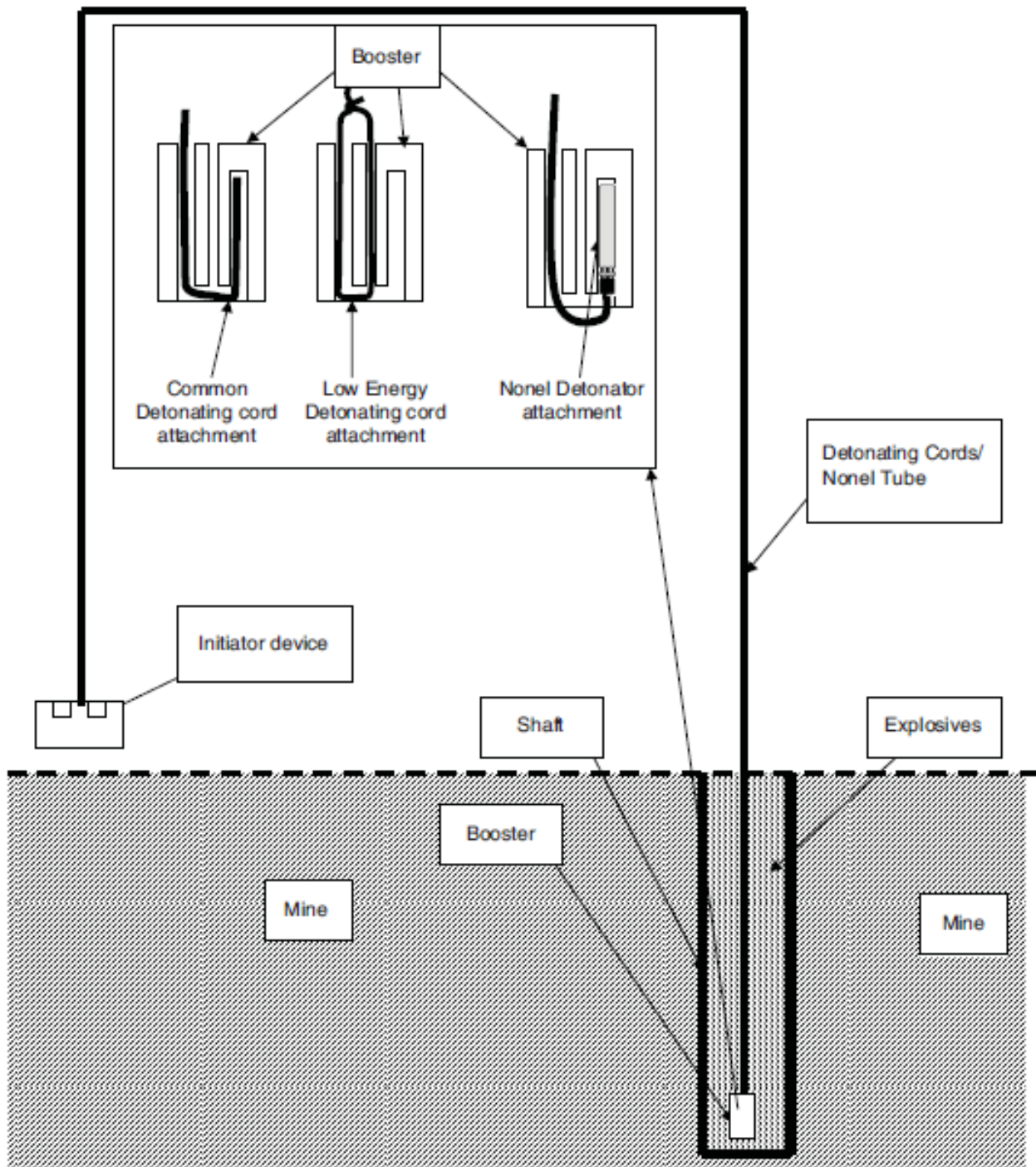
Industrial Detonators

Piston Non-Electric Detonator	活塞式导爆管雷管
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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