



## Fabchem China Limited

### FABCHEM'S FIRST-HALF NET PROFIT SURGE 107.9%; STRONG CASH FLOW GENERATED FROM OPERATIONS

- Production activities continued to normalize in 6M2015 after the Group's production capacities was curtailed in 6M2014 following the unrelated explosive accident in Shandong Province
- Overall gross margin improved to 31.4%, while net profit surged 107.9% to approximately RMB 15.3 million in 6M2015
- Strong cash flow generation from operating activities of RMB 65.0 million
- Balance sheet remained healthy with cash and cash equivalents of RMB 163.6 million and gearing of 0.16x<sup>(1)</sup>

| <i>(RMB' million)</i>          | <i>2Q2015</i>    | <i>2Q2014</i>    | <i>Change (%)</i> | <i>6M2015</i> | <i>6M2014</i> | <i>Change (%)</i> |
|--------------------------------|------------------|------------------|-------------------|---------------|---------------|-------------------|
| Revenue                        | 96.97            | 113.79           | (14.8)            | 208.73        | 220.57        | (5.4)             |
| Gross Profit                   | 33.21            | 28.85            | +15.1             | 65.47         | 51.86         | +26.3             |
| Profit Before Tax              | 13.37            | 9.54             | +40.1             | 25.53         | 13.48         | +89.4             |
| Net Profit                     | 8.32             | 5.70             | +46.0             | 15.34         | 7.38          | +107.9            |
| EPS <sup>(2)</sup> (RMB Cents) | 3.56             | 2.44             | +46.0             | 6.56          | 3.15          | +107.9            |
| EBITDA <sup>(3)</sup>          | 21.15            | 16.64            | +27.1             | 40.37         | 27.70         | +45.7             |
| <i>(RMB Cents)</i>             | <i>As at</i>     | <i>As at</i>     | <i>Change (%)</i> |               |               |                   |
|                                | <i>30 Sep 14</i> | <i>31 Mar 14</i> |                   |               |               |                   |
| NAV per share <sup>(2)</sup>   | 173.83           | 168.28           | +3.3              |               |               |                   |

(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, Amortisation and Impairment

**Singapore, 06 November 2014** – Singapore Exchange Mainboard-listed Fabchem China Limited ("Fabchem", "中国杰化有限公司" or "the Group"), is pleased to announce an improved set of financial results for the second quarter ("2Q2015") and first half ("6M2015") for the financial year ending 31 March 2015.

Based in China with a good safety track record of more than 35 years, Fabchem is a leading manufacturer of initiation systems and the largest booster and detonating cord producer in this supply-regulated industry within China, where foreign involvement is restricted.

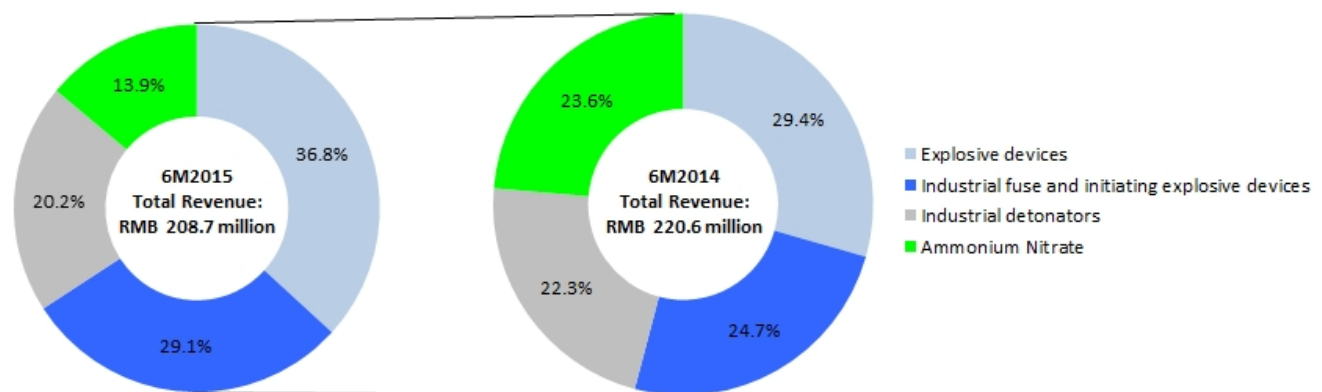


## Overseas Markets Continue to Lead Revenue Growth in 6M2015

While the Group's production activities are returning to normalcy, the Group's revenue dipped marginally by 5.4% to approximately RMB 208.7 million in 6M2015 against the backdrop of persistent headwinds in the ammonium nitrate business activities.

Of the Group's four product segments, the explosive devices product segment and industrial fuse and initiating explosive devices product segment registered revenue growth of 17.9% and 11.1% respectively in 6M2015. Notably, revenue from the Group's ammonium nitrate product segment declined 44.1% with lower selling prices and quantity.

Given these circumstances, this business unit continued to incur operating losses in 6M2015 and to mitigate such losses, the Group controlled the production and sale of its ammonium nitrate during this period.



With lower sales from the Group's ammonium nitrate product segment in China, overseas sales accounted for a larger composition of the Group's overall revenue. Particularly, overseas sales to Australia increased 29.2% to RMB 60.8 million as a result of higher sales to global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, on an Original Equipment Manufacturer basis.

Gross profit margin improved by approximately 8.8 percentage points to 34.2% and 7.9 percentage points to 31.4% in 2Q2015 and 6M2015 respectively. This was mainly attributed to the change in the Group's product sales mix as the sales of ammonium nitrate, with the lowest gross margin product segment, had reduced significantly.

In tandem with higher bank loans recorded in 6M2015, finance costs increased to RMB 4.4 million and while operating expenses increased marginally in 6M2015, the Group's EBITDA in 6M2015 grew 45.7% to RMB 40.4 million from RMB 27.7 million in 6M2014.

Overall, the Group's net profit attributable to shareholders grew 107.9% to RMB 15.3 million in 6M2015.

Reaffirming the business merits within this specialised and highly regulated industry, the Group generated net cash from operating activities of approximately RMB 65.0 million during the 6 months period under review.

**Commenting on the Group's financial performance for 6M2015, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “Despite the weak business conditions, we continue to focus on our product sales mix and operating efficiencies to protect profitability and improve cash flow in the current environment.**

*To further strengthen our business resiliency, we made various difficult decisions in respect of our business strategy and operating structure. These initiatives are now yielding results and we will build on this momentum to establish a stronger business foundation for future growth.”*

### **Healthy Balance Sheet with Strong Liquidity Position**

Guided by its prudent financial management approach, the Group's cash and cash equivalent position improved to RMB 163.6 million with a gearing of 0.16x, while total assets grew to RMB 664.2 million as at 30 September 2014.

Notably, majority of the Group's ammonium nitrate's fixed assets have been impaired as at 31 March 2014 so as to ensure that the Group's balance sheet conservatively reflect asset values as it is projected that the Group's ammonium nitrate business activities will continue to incur operating losses until market conditions improve.

Trade receivables, another major component of current assets, stood at RMB 85.8 million as at the end of September 2014. Despite the cooling Chinese economy, the Group registered faster trade receivables collection during 6M2014.

As at 30 September 2014, shareholders' equity improved to RMB 406.8 million, while net asset value per share stood at RMB 173.83 cents.

At the end of September 2014, the Group's total liabilities stood at RMB 257.4 million, of which the major component was attributable to trade and other payables of RMB 139.3 million and other financial liabilities of RMB 105.7 million.

### **Corporate Updates for 6M2015**

The economic slowdown in the Chinese economy has led to reduced demand and prices for many energy and metal commodities, resulting in lower mining activities in domestic and overseas markets. Hence, market conditions for the commercial explosives market in China remains challenging, particularly in the ammonium nitrate segment and as such, the construction of the Group's new ammonium nitrate production facilities remained halted.

Moving ahead, 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 06 November 2014, which can be downloaded via [www.sgx.com](http://www.sgx.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.

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

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

#### *Industrial Fuses and Initiating Explosive Devices*

Detonating Cord 导爆索

Non-Electric Tube 导爆管

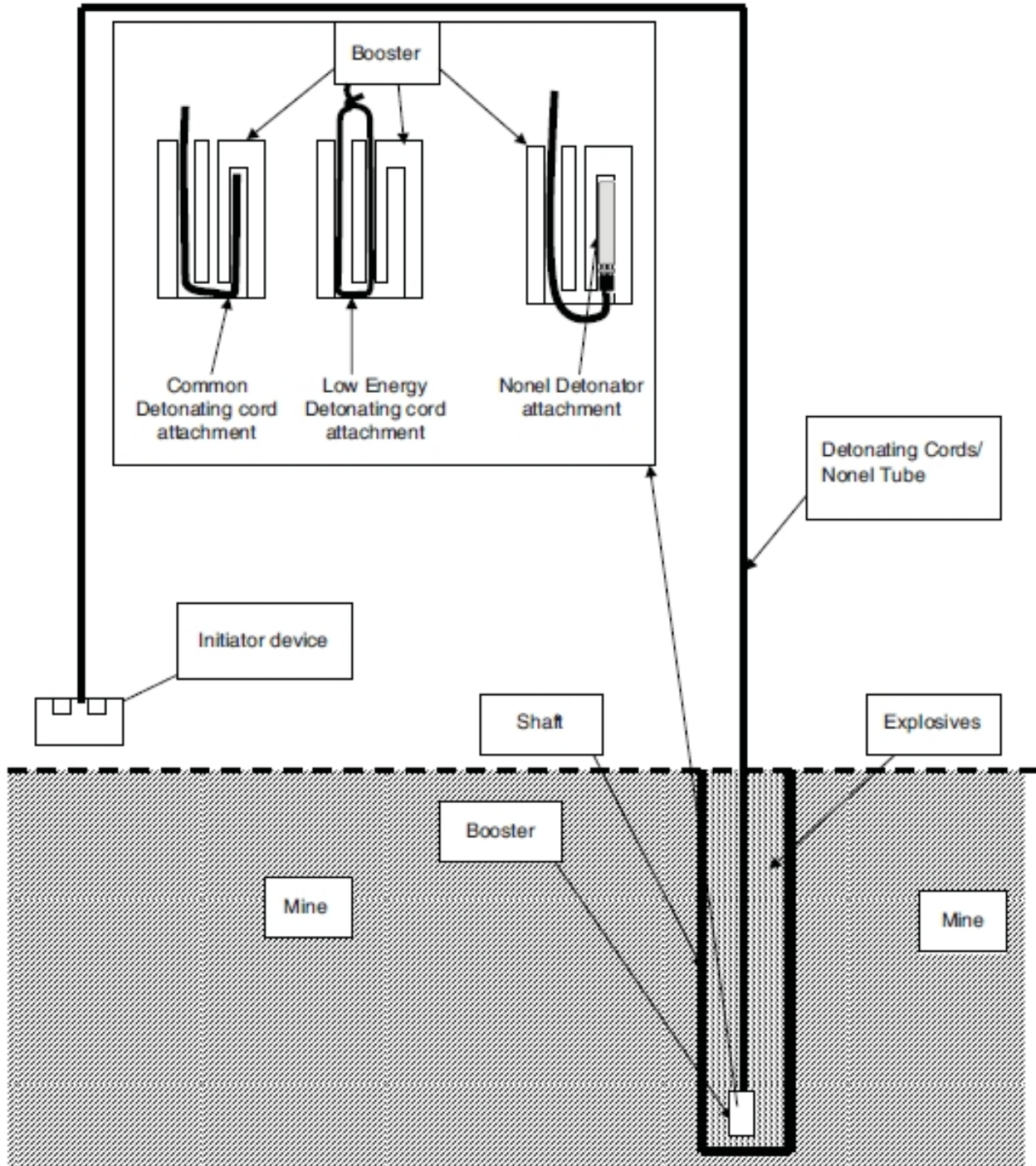
#### *Industrial Detonators*

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

Ammonium Nitrate 硝酸铵

## 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