



Fabchem China Limited

FABCHEM POSTS STABLE EARNINGS IN 1Q2016 DESPITE CHALLENGING BUSINESS ENVIRONMENT

- No production and limited sales of ammonium nitrate on hand during 1Q2016 affected overall sales significantly
- Australia continue to be the bright spot with sales growth of 43.0% in 1Q2016
- Overall gross profit margin improved to 33.8%, while net profit increased marginally to RMB 7.1 million in 1Q2016
- Balance sheet remained healthy with cash and cash equivalents of RMB 140.0 million and gearing of 0.17x⁽¹⁾
- Net asset value per share⁽²⁾ stood at RMB 175.92 cents as at 30 June 2015
- Approved dividend of S\$0.003 per share for FY2015

<i>(RMB' million)</i>	1Q2016	1Q2015	Change (%)
Revenue	86.6	111.8	(22.5)
Gross Profit	29.3	32.3	(9.3)
Profit Before Tax	11.7	12.2	(4.2)
Net Profit	7.1	7.0	+1.1
EPS⁽²⁾ (RMB Cents)	3.03	3.00	+1.1
EBITDA⁽³⁾	18.3	19.2	(4.5)

(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, 31 July 2015 – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem”, “中国杰化有限公司” or “the Group”), is pleased to announce that its first quarter financial results for the year ending 31 March 2016 (“1Q2016”) has registered stable earnings amid a challenging business environment.

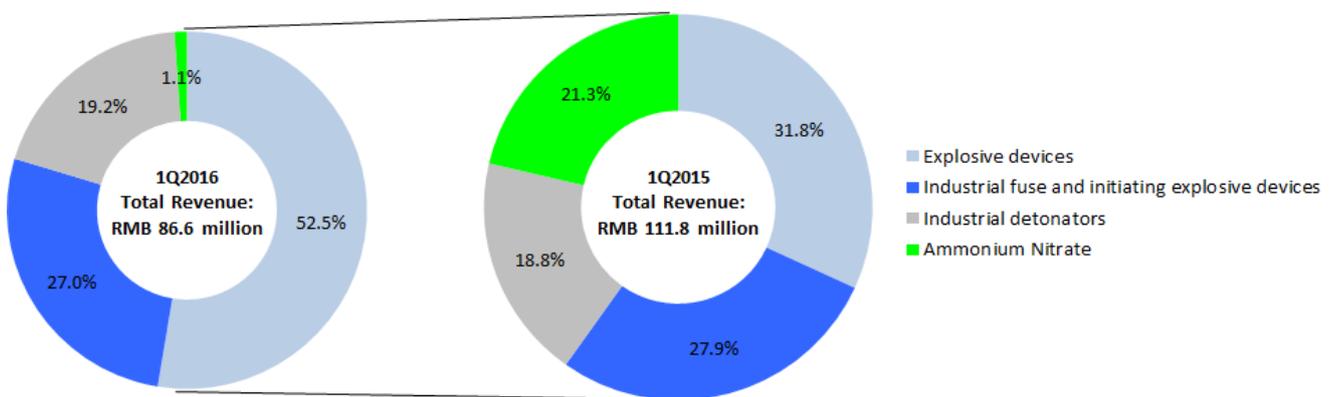
Based in China with a good safety track record of more than 35 years, Fabchem is a leading manufacturer of initiation systems and the largest booster and detonating cord producer in this supply-regulated industry in China, where foreign involvement is restricted.



Growth Momentum of Overseas Markets Continues in 1Q2016

With the slowdown of Chinese economic growth rate, it has affected mining activities within the country and this has directly created a challenging business environment for our business activities where most of its commercial explosive products are used. In addition, the Chinese authorities are clamping down on industrial activities (such as refinery and power plant facilities) that are major causes of pollution and environmental issues and these factors have further lowered the demand of mining activities.

As a result, revenue in China dipped 41.6% in 1Q2016 and of particular note, the sales from its ammonium nitrate business activities declined significantly by 95.9% to RMB 0.98 million as the management limited the sales in response to the deteriorating market conditions within China's ammonium nitrate industry. In addition, there was no production of ammonium nitrate during the current period under review to mitigate the associated financial impact.



Mitigating the impact of lower revenue in China in 1Q2016, the Group's overseas markets contributed RMB 39.1 million in sales, of which revenue from Australia increased 43.0% to RMB 37.5 million during the period under review. The Group's reliable and cost-effective specialised products are supplied to global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, on an Original Equipment Manufacturer ("OEM") basis.

While the Group's total revenue dipped 22.5% to RMB 86.6 million in 1Q2016, the Group's overall gross profit margin improved by approximately 4.9 percentage points to 33.8% as sales of ammonium nitrate (which accounted for the lowest gross margin among the Group's four product segments) has been significantly reduced. As a result, the dip in the Group's gross profit did not decline correspondingly with the drop in revenue.

In line with lower revenue registered in 1Q2016, the Group's distribution costs and administrative expenses decreased by 26.2% and 7.7% respectively. Finance costs reduced by 9.2% as bank lending interest rates were lower in the general market during the period under review.

While the Group's EBITDA in 1Q2016 dipped marginally by 4.5% to RMB 18.3 million from RMB 19.2 million in 1Q2015, the Group's net profit attributable to shareholders remained stable at RMB 7.1 million in 1Q2016.

Commenting on the Group's financial performance for 1Q2016, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “Despite the tough contraction in the Chinese mining industry, the growth in our overseas markets has help to offset the impact on the softening Chinese domestic market.

The decisive actions that we have undertaken in our ammonium nitrate business have enhanced our gross profit margin and mitigated the financial impact of a challenging business environment.

As our market conditions normalized in the long term, we believe that the fundamental market demand for our highly specialised products will continue to remain positive.”

Strong Liquidity Position

Adopting a prudent capital management approach, the Group maintained a low-gearred balance sheet position with cash and cash equivalent position improving to RMB 140.0 million, while total assets grew to RMB 638.8 million as at 30 June 2015.

Trade receivables, another major component of current assets, stood at RMB 92.0 million as at end of June 2015.

As at 30 June 2015, shareholders' equity improved to RMB 411.7 million, while net asset value per share stood at RMB 175.92 cents.

At the end of June 2015, the Group's total liabilities stood at RMB 227.1 million, of which the major portion was attributable to trade and other payables of RMB 105.5 million and other financial liabilities of RMB 105.7 million.

Payout of Dividend of S\$0.003 Per Share for FY2015

While the past financial year of FY2015 has been a year of business challenges, the board of directors has recommended a dividend of S\$0.003 per share, which was approved by shareholders at the recently concluded Annual General Meeting.

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 31 July 2015, 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 /SGX Code: I54)

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
Seismic Charge	震源药柱

Industrial Fuses and Initiating Explosive Devices

Detonating Cord	导爆索
Non-Electric Tube	导爆管

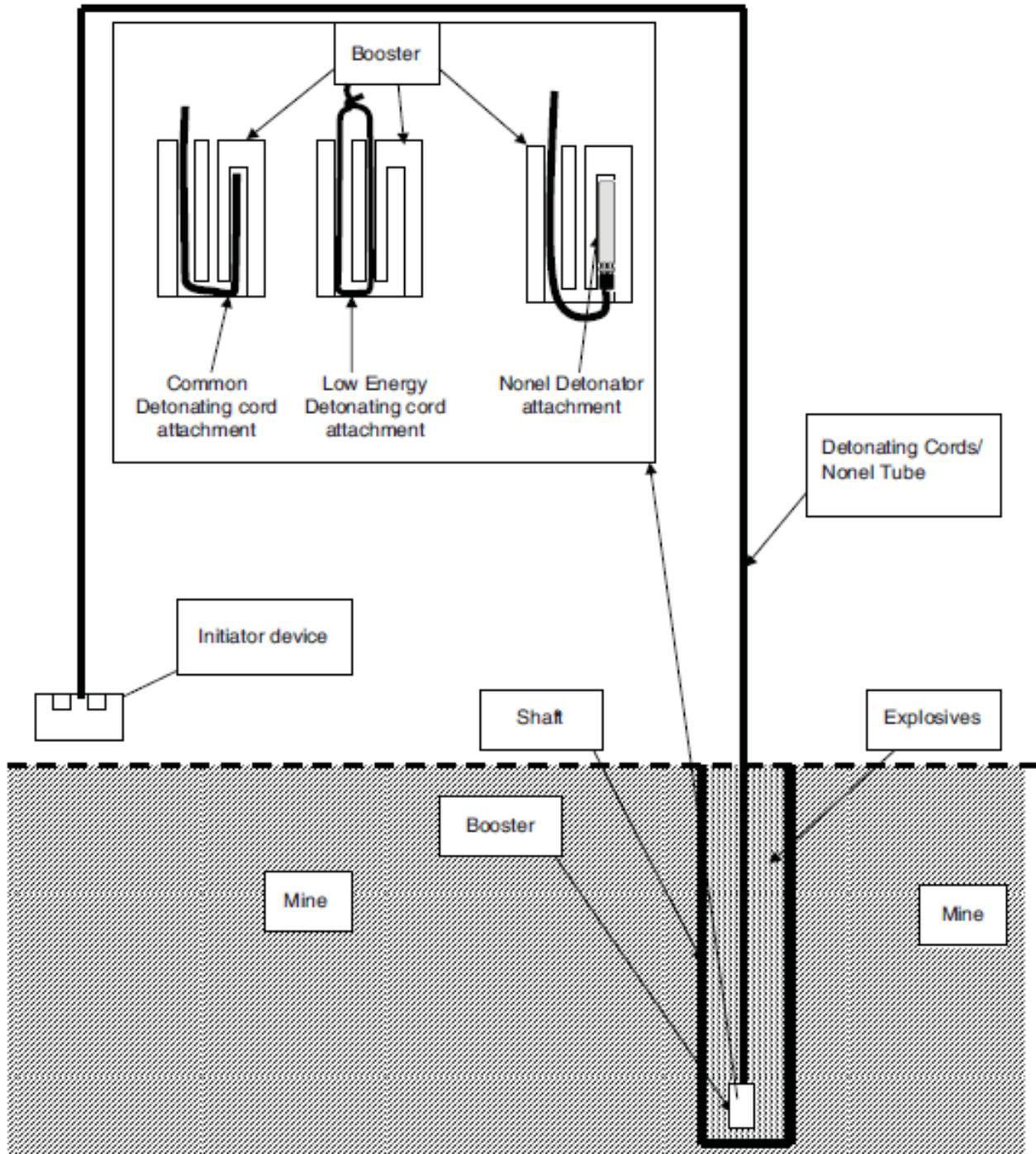
Industrial Detonators

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