



## Fabchem China Limited

### FABCHEM ACHIEVES TURNAROUND IN FY2015; PROPOSED DIVIDEND OF S\$0.3 CENTS PER SHARE

- Healthy growth from overseas markets which accounted for 36.6% of overall revenue
- Overall gross margin improved to 30.9% and gross profit of RMB 108.0 million was registered in FY2015 despite the slight dip in revenue
- Strong cash flow generation from operating activities of approximately RMB 57.2 million during FY2015
- Balance sheet remained healthy with cash and cash equivalents of approximately RMB 125.9 million and gearing of 0.14x<sup>(1)</sup>
- Proposed dividend represents a dividend payout ratio of approximately 25.2%

<i>(RMB' million)</i>	<i>FY2015</i>	<i>FY2014</i>	<i>Change (%)</i>
<b>Revenue</b>	<b>349.8</b>	<b>393.0</b>	<b>(11.0)</b>
<b>Gross Profit</b>	<b>108.0</b>	<b>94.5</b>	<b>+14.3</b>
<b>Profit Before Tax</b>	<b>26.6</b>	<b>(42.4)<sup>(4)</sup></b>	<b>N.M.<sup>(5)</sup></b>
<b>Net Profit / (Loss)</b>	<b>13.1</b>	<b>(57.5)<sup>(4)</sup></b>	<b>N.M.<sup>(5)</sup></b>
<b>EPS<sup>(2)</sup> (RMB Cents)</b>	<b>5.59</b>	<b>(24.59)<sup>(4)</sup></b>	<b>N.M.<sup>(5)</sup></b>
<b>EBITDA<sup>(3)</sup></b>	<b>55.2</b>	<b>46.4</b>	<b>+19.0</b>

(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

(4) Includes the impairment of the Group's ammonium nitrate assets by RMB 60.0 million for prudence

(5) N.M. – Not Meaningful

**Singapore, 29 May 2015** – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem”, “中国杰化有限公司” or “the Group”), is pleased to announce a turnaround in its full year financial results (“FY2015”) for the year ended 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.

#### Healthy Growth from Overseas Markets in FY2015

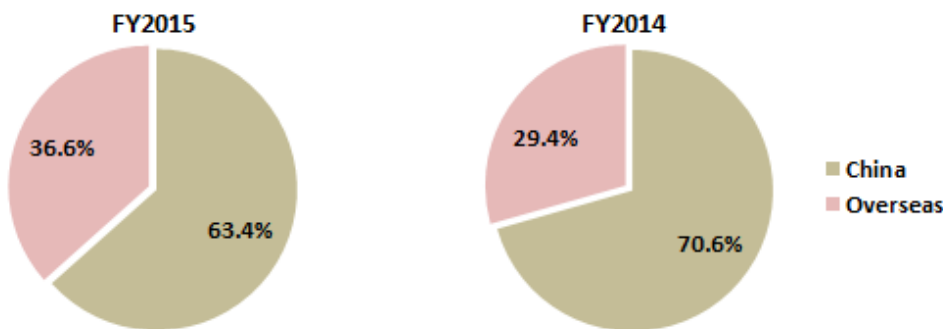
While China will continue to be a key demand centre for minerals, metals and commodities, its consumption growth rate has slowed down and as a result, domestic and global mining activities have been affected.



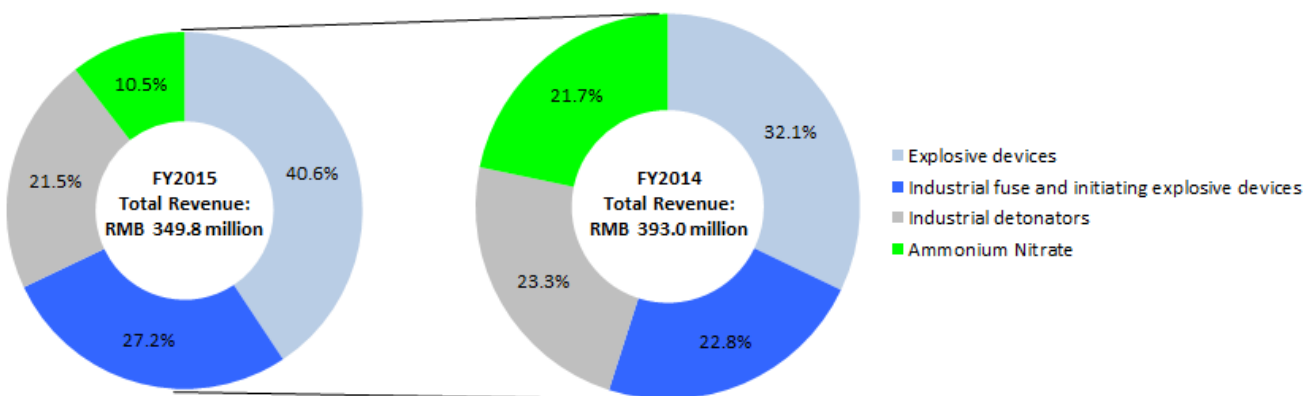
With mining activities closely linked to the Group’s business environment, the slowdown in mining activities has impacted its overall revenue in FY2015, particularly in the domestic economy as sales of ammonium nitrate decreased 56.7% in FY2015 due to declining market selling price and increasing raw materials costs.

On a brighter note, sales from overseas markets increased 10.7% to approximately RMB 128.0 million, accounting for a larger composition of the Group’s overall revenue, which stood at 36.6% in FY2015. Australia continued to be a major overseas market for the Group, as sales increased marginally to RMB 100.3 million, which the Group serves global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, on an Original Equipment Manufacturer basis.

**Revenue Breakdown**



Among the Group’s four product segments, the explosive devices product segment and industrial fuse and initiating explosive devices product segment registered revenue growth of 12.6% and 6.4% respectively in FY2015. Both product segments accounted for more than 67% of the Group’s revenue in FY2015 and it mitigated the adverse impact of the ammonium nitrate business segment which the management controlled and limited the production and sales in FY2015.



With the significant reduction in sales of ammonium nitrate, that accounted for the lowest gross margin product segment, overall gross profit margin improved by approximately 6.9 percentage points to 30.9% in FY2015.

In line with lower sales revenue recorded in FY2015, distribution costs decreased marginally to RMB 27.2 million, while administrative expenses remained relatively stable at RMB 41.5 million.

Overall, the Group’s net profit attributable to shareholders achieved a turnaround of RMB 13.1 million in FY2015 as compared to a loss-making position in FY2014.

**Commenting on the Group's financial performance for FY2015, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “We are encouraged by this turnaround in profitability and it reflects the management's measures to focus on key growth markets, reprioritization of marketing investments and drive operational efficiencies.**

*Taking constructive efforts to manage the near-term business challenges, we are confident that we can build on the Group's strong business foundations in this niche and specialised market to enhance our competitive strengths in the long run.”*

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

With a disciplined and prudent financial approach, the Group has built up a strong liquidity position over the years and as at 31 March 2015, the Group's cash and cash equivalent position stood at approximately RMB 125.9 million with a gearing of 0.14x. Total assets also increased to approximately RMB 619.0 million as at 31 March 2015.

On this front, the Group generated net cash from operating activities of approximately RMB 57.2 million during FY2015.

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 reflects asset values.

Trade receivables, another major component of current assets, stood at approximately RMB 82.3 million as at the end of March 2015.

At as 31 March 2015, the Group's total liabilities stood at RMB 214.8 million, of which the major component was attributable to trade and other payables of RMB 122.5 million and other financial liabilities of RMB 83.7 million.

As at the end of March 2015, shareholders' equity improved to RMB 404.2 million and net asset value per share stood at RMB 172.74 per share.

**Mr Sun added, “While the recovery of our marco business environment is uncertain in the short term, our healthy balance sheet positions us well to pursue strategic opportunities in this challenging environment. Looking forward, we will proceed with diligence as we execute our long-term growth strategy.”**

### **Shareholders to Benefit: Dividend of S\$0.3 Cents Per Share Proposed**

Guided by its dividend policy to pay out dividends of at least 10% of its annual net profits to shareholders, the board of directors has recommended a dividend payout of S\$0.3 cents per share for FY2015, which represents a dividend payout ratio of approximately 25.2%, which will be subjected shareholders' approval in the forthcoming Annual General Meeting.

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

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This document is to be read in conjunction with Fabchem’s exchange filings on 29 May 2015, which can be downloaded via [www.sgx.com](http://www.sgx.com).

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*For any enquires on Fabchem’s latest financial results announcement, pls email: [ir@fabchemchina.com](mailto:ir@fabchemchina.com)*

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### **About Fabchem China Limited**

***Bloomberg Code: FABC:SP / Reuters Code: FBCH.SI / SGX Stock Code: 154***

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

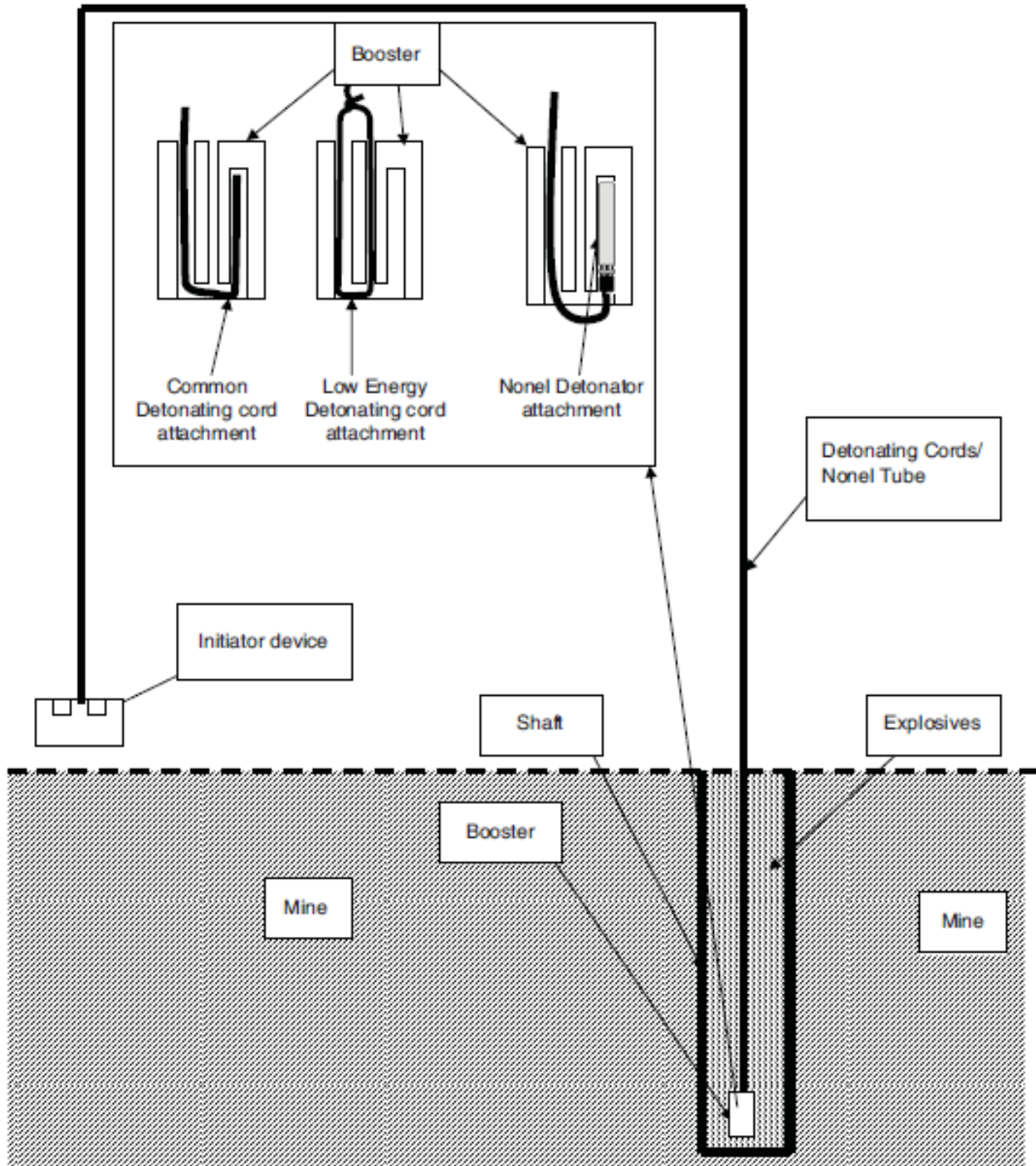
#### *Industrial Detonators*

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