



## Fabchem China Limited

### FABCHEM POSTS NET PROFIT OF RMB 32.4 MILLION IN 9M2013

- Slowdown in China's economy led to lower mining and infrastructure activities
- Another consecutive quarter of profitability despite the challenging business environment
- Overseas markets remain bright spot for the financial period under review
- Recorded a 128.7% jump in net cash generated from operating activities of approximately RMB 92.3 million during 9M2013
- Healthy balance sheet with cash position of RMB 130.5 million and low gearing of 0.10x<sup>(1)</sup>

<i>(RMB' million)</i>	<b>3Q2013</b>	<b>3Q2012</b>	<b>Change (%)</b>	<b>9M2013</b>	<b>9M2012</b>	<b>Change (%)</b>
Revenue	97.27	140.15	(30.6)	390.00	409.80	(4.8)
Gross Profit	24.52	44.61	(45.0)	111.74	129.05	(13.4)
Profit Before Tax	7.22	26.58	(72.8)	53.91	70.73	(23.8)
Net Profit	4.22	19.24	(78.0)	32.43	50.42	(35.7)
EPS <sup>(2)</sup> (RMB Cents)	1.81	8.22	(78.0)	13.86	21.55	(35.7)
EBITDA <sup>(3)</sup>	12.75	31.14	(59.1)	71.38	84.70	(15.7)
<i>(RMB Cents)</i>	<b>As at 31 Dec 12</b>	<b>As at 31 Mar 12</b>	<b>Change (%)</b>			
NAV per share <sup>(2)</sup>	197.26	188.21	+4.8			

(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, 1 February 2013** – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem”, “中国杰化有限公司” or “the Group”), announced today its third quarter financial results for the year ending 31 March 2013 (“3Q2013”).

Based in China with more than 30 years of safety track record, Fabchem is a leading manufacturer of initiation systems and the largest boosters and detonating cords producer within a highly regulated industry in China, where foreign involvement are restricted.

Incitec Pivot Limited, via its subsidiary Dyno Nobel which is the world's second largest commercial explosives manufacturer, owns a 29.9% strategic stake in Fabchem.

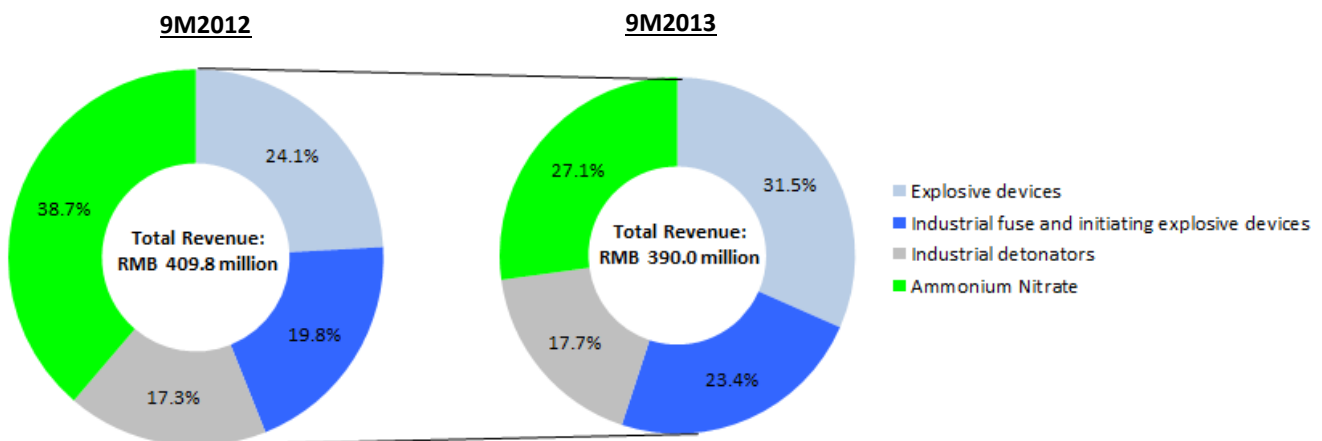


## Financial Performance Lower Than Expectations Due to Market-Driven Factors

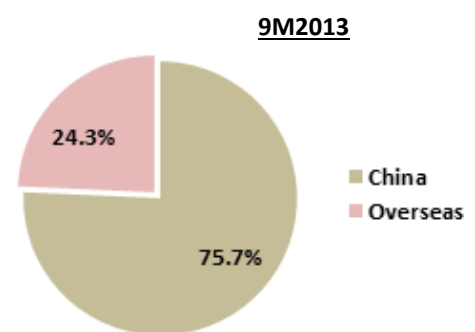
The slowdown in the Chinese economy has led to lower energy generation and mining activities, which has affected the market conditions of commercial explosives, particularly in the ammonium nitrate market.

Revenue contracted by 30.6% to RMB 97.3 million in 3Q2013, primarily due to the 58.5% decline in sales for ammonium nitrate as a result of lower market-driven selling prices and sales volume of ammonium nitrate during 3Q2013 as compared to 3Q2012. While the Group's product group of industrial fuse and initiating explosive devices registered growth of 9.8% during the quarter under review, the sales of other product groups (a) explosive devices and (b) industrial detonators dipped 21.7% and 20.0% respectively in 3Q2013.

With ammonium nitrate accounting for a significant portion of the Group's revenue, overall revenue contracted by 4.8% to RMB 390.0 million in 9M2013 as sales for ammonium nitrate declined 33.2% to RMB 105.9 million during 9M2013.



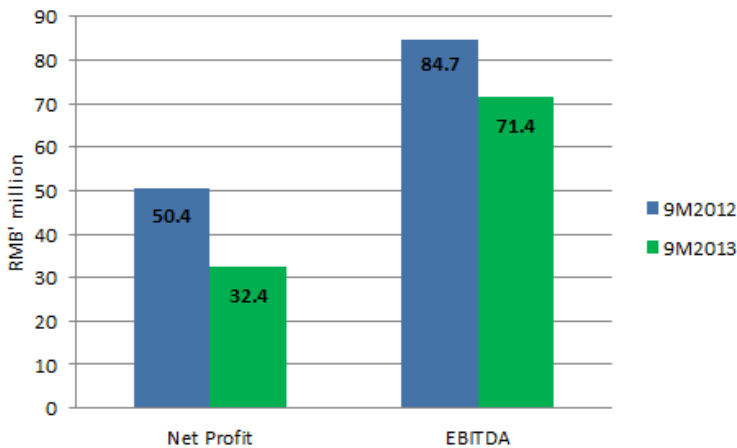
Geographically, both domestic and overseas markets registered negative growth during 3Q2013, however in 9M2013, revenue growth (28.5%) in overseas markets provided a bright spot over the softening domestic market. **Sales to Australia increased by 32.5% to RMB 63.0 million in 9M2013 as the world's largest commercial explosives manufacturer, Orica Australia, increased the purchase of our reliable and cost-effective specialised products.**



In 3Q2013, the Group's gross profit margin decreased by approximately 6.6 percentage points to 25.2%, which was mainly due to the lower market-driven prices of ammonium nitrate and the increase in raw materials prices during the current quarter as compared to the previous corresponding quarter. **Overall, gross profit margin declined marginally by approximately 2.9 percentage points to 28.6% in 9M2013.**

## Lower Operating Costs with Continual Focus on Cost and Productivity

In line with lower revenue registered in 3Q2013, the Group's distribution and administrative expenses decreased by 32.9% and 11.7% respectively, as compared to the previous corresponding period. Overall, the Group's distribution and administrative expenses in 9M2013 decreased by 11.5% and 5.9% respectively, as compared to the previous corresponding quarter.



While the Group achieved another consecutive quarter of profit, overall profit attributable to shareholders contracted by 78.0% in 3Q2013 and 35.7% to 9M2013 as compared to the previous corresponding periods.

On an EBITDA basis, the Group’s 9M2013 contracted by 15.7% to RMB 71.4 million as compared to the previous corresponding period.

**Commenting on the Group’s third quarter results, Mr Sun Bowen (“孙博文”), Fabchem’s Managing Director, said, “Coming on the heels of several strong quarters, the negative effects of the slowdown in the Chinese economy led us to finish the quarter lower than we expected.**

*Despite these challenges, we believe the business fundamentals of our core operating markets remain positive and we will continue to accelerate our efforts to reduce those costs that we can influence.*

*Taking advantage of the eventual market recovery in this highly regulated market, we are executing our strategies to put in place a lower cost business model and capitalise on the growth opportunities for our specialised products.”*

### Healthy Financial Position with Low Gearing

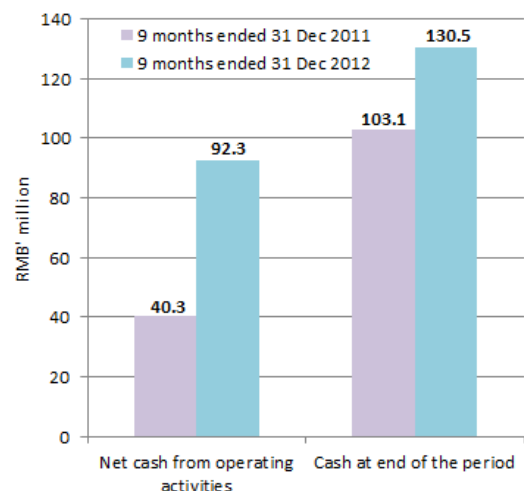
As at 31 December 2012, total assets increased to RMB 716.2 million. Adhering to a prudent financial management policy, the Group’s balance sheet remained healthy with a low gearing of 0.10x and a cash and cash equivalent position of RMB 130.5 million.

Shareholders’ equity stood at RMB 461.6 million, up 4.8% or RMB 21.2 million higher than 31 March 2012. Net asset value per share stood at RMB 197.26 cents, up 4.8% or RMB 9.05 cents from 31 March 2012.

The Group also recorded RMB 254.6 million in total liabilities, of which the major portion was attributable to trade and other payables of RMB 172.6 million at the end of December 2012. Trade and other payables reduced by RMB 10.5 million mainly due to a repayment related to the acquisition of land and building.

**For the current quarter under review, the Group recorded net cash generated from operating activities of approximately RMB 58.2 million.**

**Overall, for 9M2013, the Group recorded a 128.7% jump in net cash generated from operating activities of approximately RMB 92.3 million as compared to previous corresponding period.**



**Mr Sun concluded,** “While our financial performance has been affected by market-driven factors, our financial position continues to remain healthy with stable cash flow generated from our operating activities in this highly regulated market.

*This will allow us to manage our capacity more efficiently and enable us to continue improving our cost position and other elements of our market differentiation strategy.*

*With the economic headwinds in the Chinese economy, we continue to adopt a prudent and cautious outlook for the year ahead.”*

– END –

This document is to be read in conjunction with Fabchem’s exchange filings on 1 February 2013, which can be downloaded via [www.sgx.com](http://www.sgx.com).

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

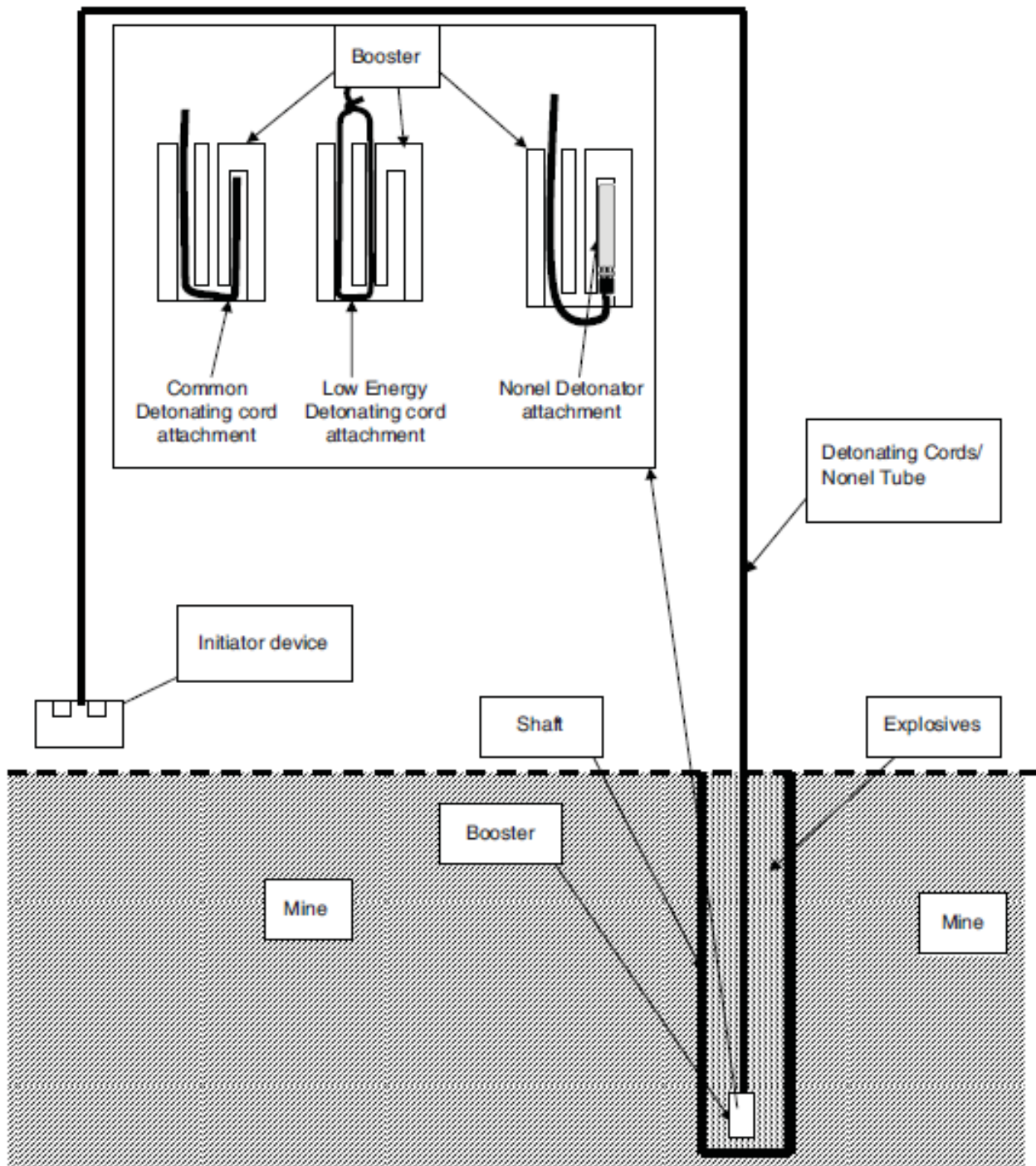
#### *Industrial Detonators*

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