



Fabchem China Limited

FABCHEM POSTS NET PROFIT OF RMB 31.5 MILLION IN FY2013; PROPOSED DIVIDEND OF S\$0.007 PER SHARE

- Financial performance significantly impacted by weakening market conditions of ammonium nitrate in China
- Overseas markets continue to outperform with a growth of 39.0%
- Net cash generated from operating activities increased 326.3% to approximately RMB 137.3 million.
- Balance sheet remained strong with cash position of RMB 120.0 million and gearing of 0.14x⁽¹⁾
- Proposed dividend of S\$0.007 per share represents a dividend payout ratio of approximately 26.3% of FY2013's net profit

<i>(RMB' million)</i>	<i>FY2013</i>	<i>FY2012</i>	<i>Change (%)</i>
Revenue	498.1	516.1	(5.2)
Gross Profit	133.5	159.9	(16.5)
Profit Before Tax	56.2	82.4	(31.9)
Net Profit	31.5	60.0	(47.5)
EPS⁽²⁾ (RMB Cents)	13.46	25.65	(47.5)
EBITDA⁽³⁾	80.2	103.6	(22.6)
<i>(RMB Cents)</i>	<i>As at 31 March 2013</i>	<i>As at 31 March 2012</i>	<i>Change (%)</i>
NAV per share⁽²⁾	196.75	188.21	▲ 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 and Amortisation

Singapore, 29 May 2013 – 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 full year ended 31 March 2013 (“FY2013”).

Based in China with more than a 30-year safety track record, Fabchem is a leading manufacturer of initiation systems and the largest boosters and detonating cords producer within a supply-regulated industry in China, where foreign involvement are restricted. Incitec Pivot Limited, via the world's second largest commercial explosives manufacturer, Dyno Nobel, owns a 29.9% strategic stake in Fabchem.



Overseas Markets Remain Bright Spot in FY2013

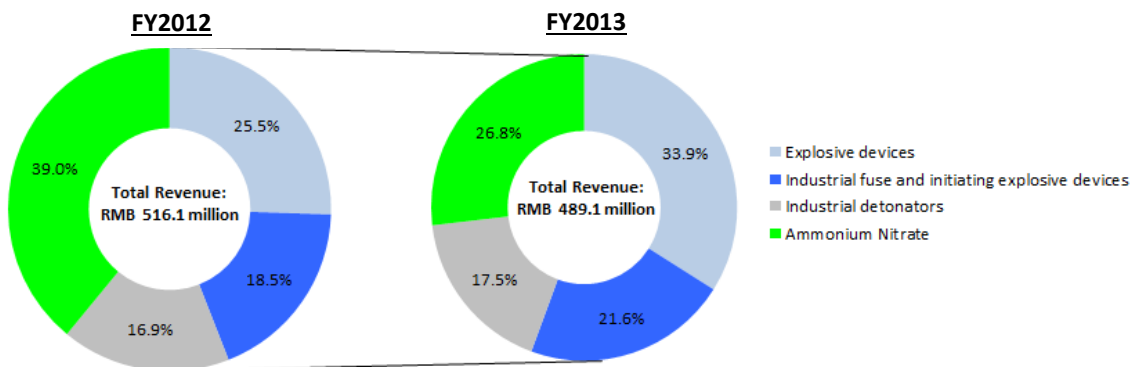
China is the world's biggest user and producer of coal and the country relies on coal for about 70% of its energy needs. Consumed on a recurring basis, energy is an essential building block for social and economic development.

However, with the slowdown in China's economic growth, mining activities for coal and metal resources have correspondingly been affected and as a result, the Group's ammonium nitrate sales have come under pressure.

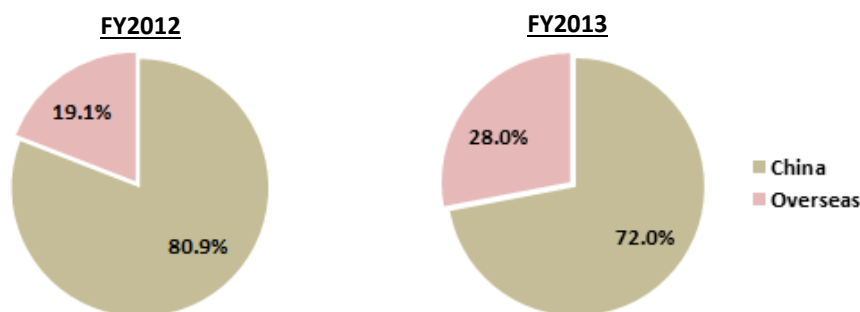
During the financial year of FY2013, revenue of the Group's product groups of (a) explosive devices and (b) industrial fuse and initiating explosive devices grew 25.8% and 10.7% respectively.

With weakening market conditions and softening market-driven selling prices in ammonium nitrate, the Group's sales of this product segment declined significantly. Comparatively, market-driven selling prices and sales volume of ammonium nitrate decreased by approximately 24.3% and 18.8% respectively year-on-year.

Being a key contributor to the Group's revenue mix, the reduction in the revenue of ammonium nitrate had a substantial impact to the Group's overall revenue.



Driven by the strong demand for Fabchem's boosters, sales in overseas market grew 39.0% to RMB 137.0 million. Particularly, sales to Australia increased by 46.0% to RMB 98.0 million in FY2013 as Orica Australia, the world's largest commercial explosives manufacturer, increased their purchase of the Group's reliable and cost-effective specialised products. Overall, the Group's revenue dipped 5.2% to RMB 498.1 million in FY2013.



While the Group has achieved encouraging results from its continual focus on production efficiency initiatives, but confronted with higher raw material prices and lower market-driven selling prices for ammonium nitrate, overall gross profit margin dipped approximately 3.7 percentage points to 27.3% in FY2013. Overall, gross profit stood at RMB 133.5 million for FY2013.

Although operating expenses decreased correspondingly with lower revenue in FY2013, an additional tax charge of RMB 5.6 million (due to underprovision of income tax for the previous financial year) further weighed down the profitability of the Group. As a result, the Group's net profit attributable to shareholders declined 47.5% to RMB 31.5 million in FY2013.

On an EBITDA basis, the Group's EBITDA in FY2013 dipped 22.6% to RMB 80.2 million from RMB 103.6 million in FY2012.

Commenting on the Group's financial performance for FY2013, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “Although we finished the year lower than we expected due to a challenging market in ammonium nitrate, we continue to deliver profitability and generate strong operating cash flow with our portfolio of commercial explosive products.

Notably, our overseas marketing initiatives have led to the growing recognition of our cost-effective and reliable commercial explosives in global markets, which gradually mitigated our reliance on the Chinese market.

Throughout FY2013, we continue to manage our costs carefully, while reinvesting in future growth opportunities to strengthen our long term position in this highly specialised market.”

Dividend of S\$0.007 per Share Proposed

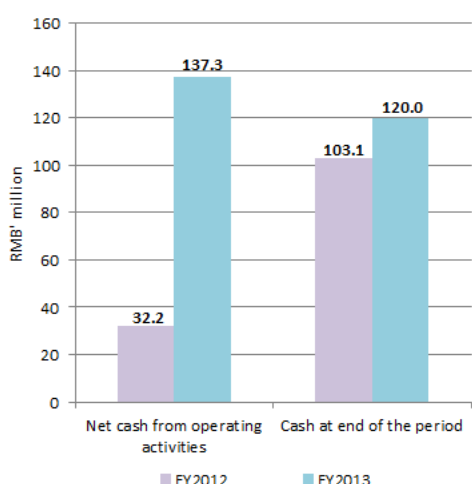
Guided by its dividend policy to pay out dividends of at least 10% of its annual net profits to shareholders, the board of directors has recommended a dividend payout of S\$0.007 per share for FY2013, which represents a dividend payout ratio of approximately 26.3%, to be approved by shareholders in the upcoming Annual General Meeting.

Stronger Balance Sheet

With its emphasis on a low-risk balance sheet, total assets increased to RMB 700.9 million as at 31 March 2013 with a gearing of 0.14x and a cash and cash equivalent position of RMB 120.0 million.

Shareholders' equity stood at RMB 460.4 million, up 4.5% or RMB 20.0 million higher than 31 March 2012. Net asset value per share stood at RMB 196.75 cents, up 4.5% or RMB 8.54 cents from 31 March 2012.

At the end of March 2013, the Group also recorded RMB 240.5 million in total liabilities, of which the major portion was attributable to trade and other payables of RMB 133.8 million and other financial liabilities of RMB 96.3 million. Financial liabilities increased by RMB 52.6 million mainly due to the increase in bank borrowings for the acquisition of land and buildings subsequent to the approval obtained from shareholders in July 2011.



For the full year ended 31 March 2013, the Group recorded net cash generated from operating activities of approximately RMB 137.3 million.

Mr Sun added, *“Financial strength and flexibility are top priorities on the list of our most strategic advantages. We will continue to adopt a low-risk balance sheet approach as we pursue our growth strategies.”*

Moving Ahead

Following its previous announcements, the Group is pleased to announce that the new detonating cords production facilities have started trial operation in April 2013. However, the Group is awaiting for the relevant authorities to perform their respective inspection and subsequent approval for the new detonating cords production facilities to commence commercial production. Currently, the existing production facilities are operating at near-full capacity, hence the new production facilities will increase our detonating cords annual production capacity from 50 million meters to 80 million meters.

Separately, the Group has previously announced that it will be undergoing upgrading works for its boosters production facilities to significantly enhance the automation process to improve product quality, efficiencies and safety standards. While the Group’s first batch of upgraded boosters production line is currently under testing and trial run, due to some technological and design modification, the completion date for the entire upgrade of the boosters facilities will be delayed to 31 August 2015, instead of the originally announced 31 March 2014.

With regards to the Group’s earlier announcement on the new ammonium nitrate production facilities, the construction of the new facilities is well underway given the lower costs of construction and building materials. The local PRC market for ammonium nitrate remains soft and the management will continue to monitor the situation closely.

Mr Sun concluded, *“While it will take some time for our financial performance to reflect the plans we are undertaking, we are confident that the Group is on the right path in developing the strategies for future growth.”*

Nonetheless, the Group continues to adopt a prudent outlook for FY2014 and retains a cautious optimism about its longer term prospects.”

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This document is to be read in conjunction with Fabchem’s exchange filings on 29 May 2013, 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

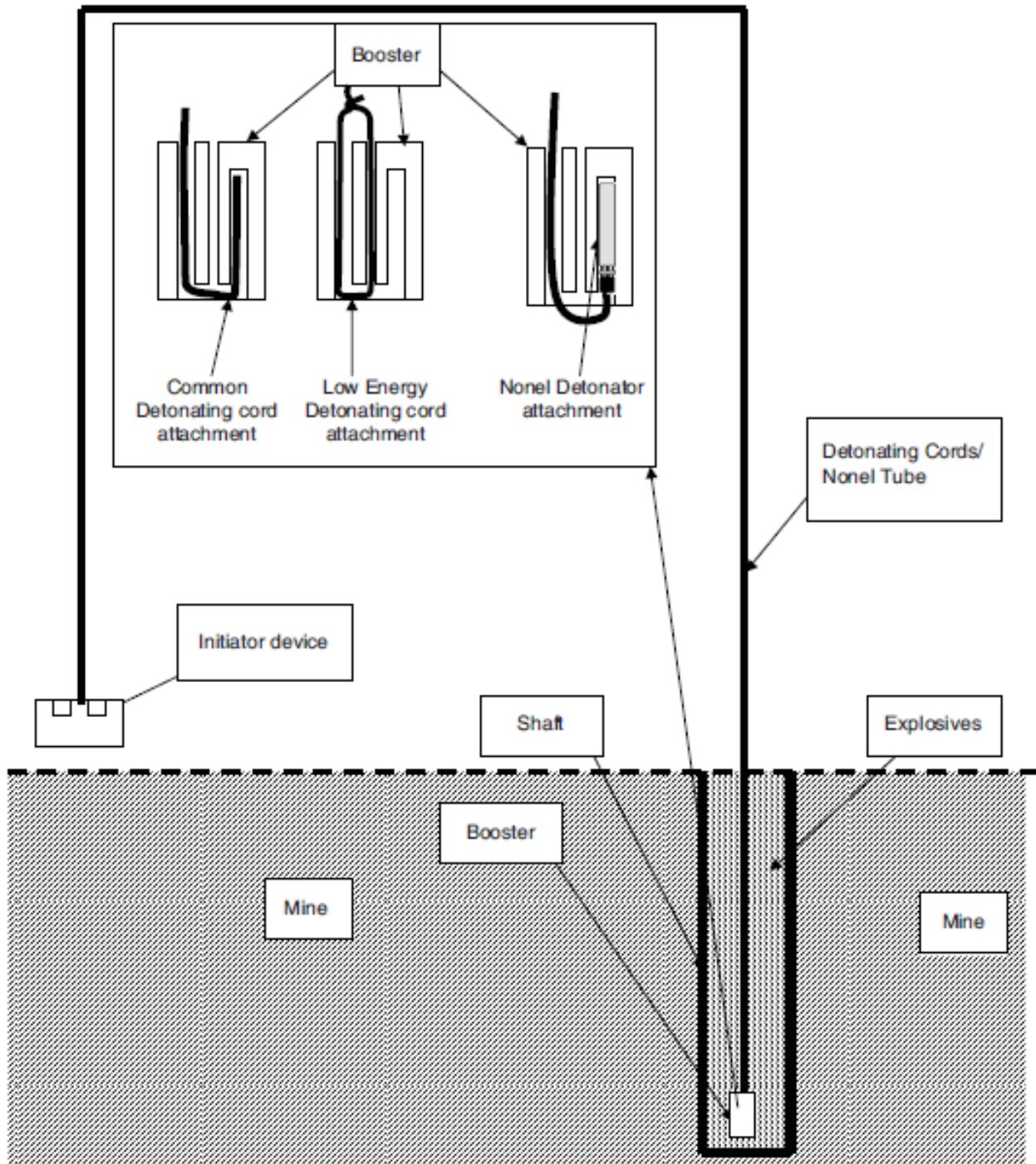
Industrial Detonators

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