



## Fabchem China Limited

### STEERING THROUGH A CHALLENGING OPERATING ENVIRONMENT

- Financial performance continued to be weighed down by the economic slowdown in China, weakening ammonium nitrate market conditions, rising raw material prices and the temporary cease production directive for all commercial explosives manufacturers in Shandong Province by the Chinese authorities
- One of the Group's key overseas market, Australia, continues to power ahead with growth of 55.5%
- Balance sheet remained resilient with cash position of RMB 104.1 million and gearing of 0.15x<sup>(1)</sup>
- Organic growth gradually taking shape as additional detonating cords production facilities start commercial production
- Heightened production regulations to affect the entire commercial explosives industry's production capacity in China

| <i>(RMB' million)</i>                | <b>1Q2014</b>                 | <b>1Q2013</b>                  | <b>Change (%)</b> |
|--------------------------------------|-------------------------------|--------------------------------|-------------------|
| <b>Revenue</b>                       | <b>106.8</b>                  | <b>144.2</b>                   | <b>(25.9)</b>     |
| <b>Gross Profit</b>                  | <b>23.0</b>                   | <b>43.1</b>                    | <b>(46.7)</b>     |
| <b>Profit Before Tax</b>             | <b>3.9</b>                    | <b>23.7</b>                    | <b>(83.4)</b>     |
| <b>Net Profit</b>                    | <b>1.7</b>                    | <b>16.8</b>                    | <b>(90.0)</b>     |
| <b>EPS<sup>(2)</sup> (RMB Cents)</b> | <b>0.72</b>                   | <b>7.19</b>                    | <b>(90.0)</b>     |
| <b>EBITDA<sup>(3)</sup></b>          | <b>11.1</b>                   | <b>29.4</b>                    | <b>(62.4)</b>     |
|                                      |                               |                                |                   |
| <i>(RMB Cents)</i>                   | <b>As at<br/>30 June 2013</b> | <b>As at<br/>31 March 2013</b> | <b>Change (%)</b> |
| <b>NAV per share<sup>(2)</sup></b>   | <b>196.97</b>                 | <b>196.75</b>                  | <b>▲ 0.11</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 and Amortisation

**Singapore, 13 August 2013** – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem”, “中国杰化有限公司” or “the Group”), announced today its first quarter financial results for the year ending 31 March 2014 (“1Q2014”).

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.

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(Company No: 200413128G)

*A Specialist in Commercial Explosive Devices*



## Financial Performance Review of 1Q2014

The coal industry is a traditional industry in China and has played an essential role in economic development and a key role in the energy supply chain of China.

The slowdown in China's economic growth has created a challenging business environment for domestic mining activities. Reflecting this economic slowdown, the Group's commercial explosives business activities were significantly affected in the financial period under review.

Particularly, the Group's sales of ammonium nitrate further deteriorated with weakening market conditions and softening market-driven selling prices in ammonium nitrate. 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.

While the revenue from overseas markets continue to remain stable, the Group experienced a marginal dip in sales revenue for the current period under review due to the different shipping schedules determined by its customers.

Notwithstanding this, sales to Australia increased by 55.5% to RMB 23.1 million in 1Q2014 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 stood at RMB 106.7 million in 1Q2014.

Faced with higher raw material prices (in particular PETN and RDX) and lower market-driven selling prices for ammonium nitrate, overall gross profit margin dipped approximately 8.4 percentage points to 21.5% in 1Q2014. As such, the Group registered gross profit of RMB 23.0 million in 1Q2014.

The Group's operating expenses decreased in line with the Group's lower revenue recorded in 1Q2014.

In summary, the Group's net profit attributable to shareholders declined 90.0% to RMB 1.7 million in 1Q2014. On an EBITDA basis, the Group's EBITDA in 1Q2014 dipped 62.4% to RMB 11.1 million from RMB 29.4 million in 1Q2013.

**Commenting on the Group's financial performance for 1Q2014, Mr Sun Bowen (“孙伯文”), Fabchem's Managing Director, said, “Fundamentally, we are confident in our competitive position in this highly regulated and specialised industry. Our organic initiatives have gradually taken shape and this will provide additional earnings leverage in our business in the years ahead.**

*However, in the short term, our financial performance has been less predictable and pressured due to the slowdown in the Chinese economy and the temporary cease production directive by the Chinese authorities on all commercial explosives production due to the unrelated explosion accident in Jinan, Shandong Province.*

*Nevertheless, we will continue to pursue new cost containment and productivity improvement initiatives to further underpin the resiliency of our business model.”*

## **Payout of Dividend of S\$0.007 per Share for FY2013**

In the recently concluded Annual General Meeting, the Group's shareholders have approved a dividend payout of S\$0.007 per share for FY2013, which represents a dividend payout ratio of approximately 26.3% of its net profit to shareholders in FY2013. The dividend will be distributed to shareholders on 28 August 2013.

## **Strong Balance Sheet**

With its emphasis on a low-risk balance sheet, total assets stood at RMB 676.2 million as at 30 June 2013 with a gearing of 0.15x and a cash and cash equivalent position of RMB 104.1 million.

Shareholders' equity increased to RMB 460.9 million, up 0.1% or RMB 0.5 million higher than 31 March 2013. Net asset value per share stood at RMB 196.97 cents, up 0.1% or RMB 0.22 cents from 31 March 2013.

At the end of March 2013, the Group's total liabilities reduced by RMB 25.2 million, or 10.5%, to RMB 215.3 million, of which the major portion was attributable to trade and other payables of RMB 105.9 million and other financial liabilities of RMB 100.2 million.

## **Corporate Updates in 1Q2014**

Following its previous announcements, the Group is pleased to announce that the additional detonating cords production facilities have recently started commercial production after obtaining the relevant approvals. 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.

Within a highly regulated industry, the Group's organic growth initiatives have received strong support and fruitful cooperation by the Chinese authorities.

However, since the unfortunate accident at an unrelated commercial explosive manufacturing plant in Jinan, Shandong Province on 20 May 2013, the Chinese authorities have heightened the production regulations on operating hours and production volume, which will affect the entire industry in China.

And as a result, it will reduce the overall production capacity for the Group's commercial explosive products. Nevertheless, the Group will continue the improvements it has begun across the business segments to further enhance its production efficiency and cost measures.

Moving ahead, the Group will continue to update shareholders on the progress of its growth plans.

– END –

This document is to be read in conjunction with Fabchem's exchange filings on 13 August 2013, 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. 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 |

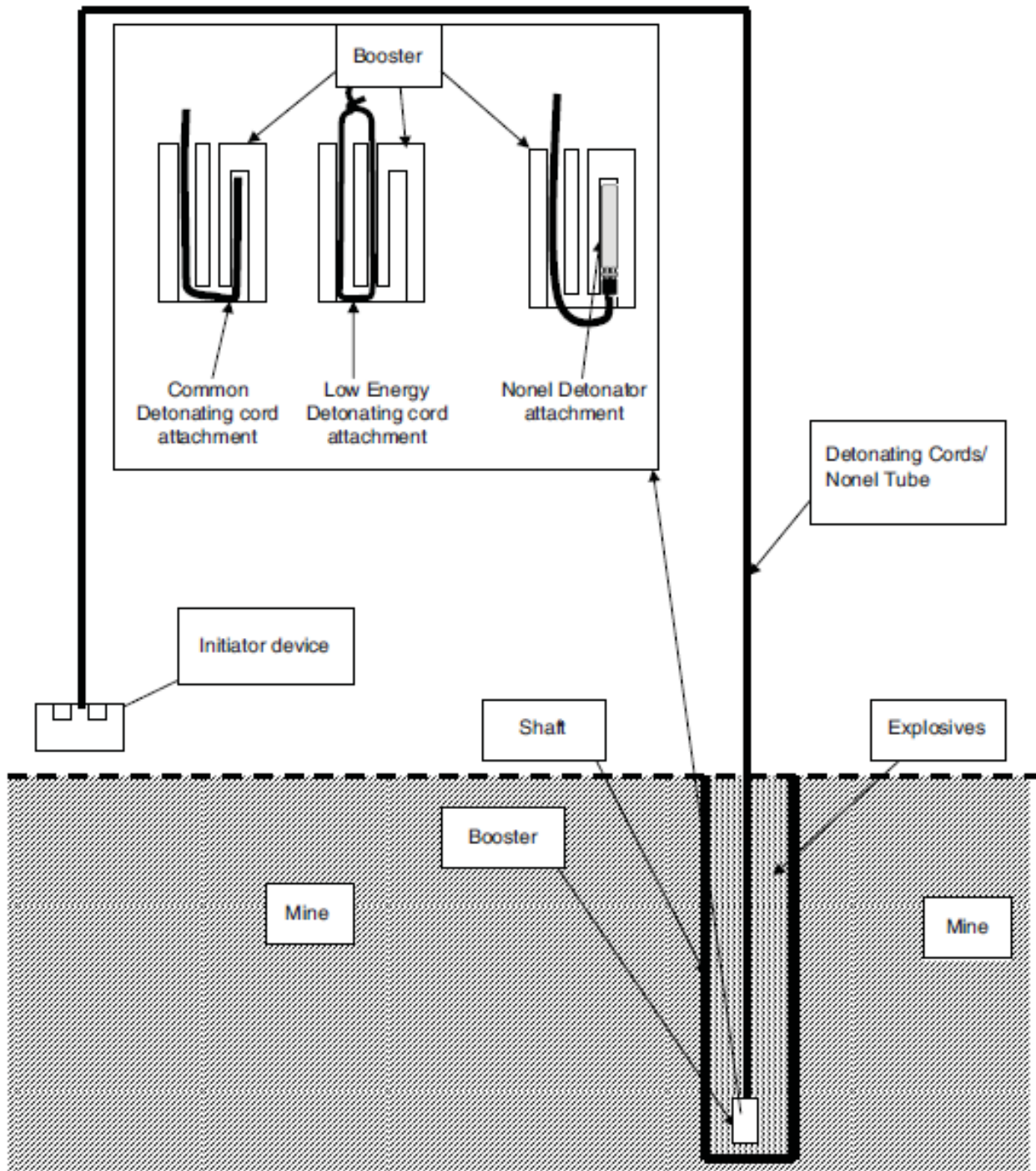
#### *Industrial Detonators*

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

|                  |     |
|------------------|-----|
| 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