



Fabchem China Limited

PROFIT WARNING

The Board of Directors (the "Board") of Fabchem China Limited (the "Group") wishes to caution our shareholders that the Group's profit is expected to be materially lower for the 12 months period from 01 April 2013 to 31 March 2014 ("FY2014"), as compared to the corresponding period in the previous financial year ("FY2013").

The materially lower FY2014 profit is mainly attributable to three factors which have been previously announced being the constrained production following the explosive accident that occurred at an unrelated commercial explosives manufacturing plant in Shandong Province; lower demand for explosive-grade ammonium nitrate in China; and higher raw material input costs.

Further details of the three factors are as follows:

1. Impact of the explosive accident that occurred at an unrelated commercial explosives manufacturing plant in Shandong Province

As announced on 23 May 2013, a "cease production" order was immediately issued to all commercial explosives manufacturers in the Shandong province after an explosive accident occurred at an unrelated commercial explosives manufacturing plant in Shandong Province on 20 May 2013.

As one of the leading commercial explosive manufacturers in China and more than 30 years of safety track record, the Group is one of the first commercial explosive manufacturers in Shandong Province to resume production after swiftly clearing the heightened safety checks by the Chinese authorities on 14 June 2013, the downtime in production from this temporary directive (from 20 May 2013 to 14 June 2013) has disrupted the Group's production schedule for our projected sales activities.

In addition, due to the unrelated explosive accident, the relevant Chinese authorities have heightened production regulations for all the commercial explosive manufacturers across China. As a result, this directive has curtailed the overall production capacity for the Group's commercial explosive products, impacting on our production and sales activities. For more information, please refer to the announcements from 23 May 2013 onwards.



2. Demand for explosive-grade ammonium nitrate remains weak in China

As disclosed in our 9M2014 financial results released on 07 February 2014 and other earlier announcements, lower economic growth in China has led to reduced mining and infrastructure activities. Particularly, the ammonium market has been under considerable pressures over the recent financial periods under review and as a result, demand for our explosive-grade ammonium nitrate remains weak.

Notably, the market-driven selling prices of explosive-grade ammonium nitrate further deteriorated by approximately 18.5% during 9M2014 as compared to 9M2013. It is projected that the Group's ammonium nitrate business will continue to incur operating losses until market demand improves.

Coming into the last quarter of FY2014, the market conditions for explosive-grade ammonium nitrate remain challenging, leading to the Group's deteriorating financial performance

3. Higher raw materials costs

As disclosed in our FY2013 annual report and subsequent financial announcements, the Group has encountered a rise in raw materials prices (such as PETN and RDX). This trend has remained unabated and this has also impacted the Group's financial performance throughout FY2014.

This profit warning is based on a preliminary review of the unaudited financial results of the Group. Further details of the Group's performance will be disclosed when it has finalised its unaudited financial results for FY2014. Details of the Group's results in FY2014 are expected to be released on or before 30 May 2014.

In the meantime, shareholders of the Group and potential investors are advised to exercise caution when dealing in the shares of the Group.

By Order of the Board

Sun Bowen
Managing Director
14 March 2014