



**Fabchem China Limited**

## **FABCHEM MAKES GOOD START TO NEW FINANCIAL YEAR**

- Production activities normalize in 1Q2015 after the Group's production capacities was curtailed in 1Q2014 following the unrelated explosive accident in Shandong Province
- Overall gross margin improved to 28.9%, while net profit surged 318.0% to RMB 7.0 million in 1Q2015
- Balance sheet remained healthy with cash and cash equivalents of RMB 146.4 million and gearing of 0.16x<sup>(1)</sup>
- Net asset value per share<sup>(2)</sup> stood at RMB 171.31 cents as at 30 June 2014
- Approved special dividend of S\$0.002 per share for FY2014 to be paid out on 28 August 2014

<b>(RMB' million)</b>	<b>1Q2015</b>	<b>1Q2014</b>	<b>Change (%)</b>
<b>Revenue</b>	<b>111.8</b>	<b>106.8</b>	<b>+ 4.7</b>
<b>Gross Profit</b>	<b>32.3</b>	<b>23.0</b>	<b>+ 40.2</b>
<b>Profit Before Tax</b>	<b>12.2</b>	<b>3.9</b>	<b>+ 208.8</b>
<b>Net Profit</b>	<b>7.0</b>	<b>1.7</b>	<b>+ 318.0</b>
<b>EPS<sup>(2)</sup> (RMB Cents)</b>	<b>3.00</b>	<b>0.72</b>	<b>+ 318.0</b>
<b>EBITDA<sup>(3)</sup></b>	<b>19.2</b>	<b>11.1</b>	<b>+ 73.6</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

**Singapore, 13 August 2014** – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem”, “中国杰化有限公司” or “the Group”), is pleased to announce that its first quarter financial results for the year ending 31 March 2015 (“1Q2015”) has registered a marked improvement.

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 in China, where foreign involvement is restricted.



## A Marked Improvement in 1Q2015

In 1Q2015, the Group's production activities returned to normalcy as compared to the previous corresponding quarter, which was subjected to curtailed production capacity imposed by the Chinese authorities since an explosive accident occurred at an unrelated commercial explosive manufacturing plant in Jinan, Shandong Province on 20 May 2013, which affected the entire industry in China.

Despite challenging market conditions led by the slowdown in global mining activities, the Group's overall revenue in 1Q2015 increased 4.7% to RMB 111.8 million.

While revenue of the Group's ammonium nitrate business activities, under Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), remained relatively stable in 1Q2015, this business unit continued to incur operating losses in 1Q2015 as market-driven selling prices continued to be lower than operating costs. Given these circumstances, it is projected that the Group's ammonium nitrate business will continue to incur operating losses until market conditions improve.

Geographically, revenue in both PRC market and overseas markets registered growth of 3.4% and 8.3% respectively in 1Q2015. Notably, Australia registered a revenue growth of 13.4% to RMB 26.2 million. As an Original Equipment Manufacturer ("OEM") to global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, demand for Fabchem's reliable and cost-effective specialised products remained strong and resilient from Australia's market players.

Although revenue in 1Q2015 was slightly higher than the prior-year quarter, the Group was able to attain a significantly improvement in gross profit as overall gross margin improved by approximately 7.4% to 28.9%. This improvement was mainly attributed to higher production efficiency in 1Q2015 as the temporary "cease production" measure in 1Q2014 led to an increased average cost of goods sold per unit.

While operating expenses increase in tandem with higher revenue in 1Q2015, finance costs increased mainly due to the increase in bank loans during the current quarter under review. In addition, certain interest expenses were capitalised under construction-in-progress during 1Q2014.

The Group's EBITDA in 1Q2015 grew 73.6% to RMB 19.2 million from RMB 11.1 million in 1Q2014. In summary, the Group's net profit attributable to shareholders grew 318.0% to RMB 7.0 million in 1Q2015 as compared to the low profit base in 1Q2014.

**Commenting on the Group's financial performance for 1Q2015, Mr Sun Bowen ("孙伯文"), Fabchem's Managing Director, said, "This positive start to the new financial year reflect a normalize operating environment that is in stark contrast of the last corresponding period which was indirectly but significantly affected by the unrelated explosive accident.**

*Within a highly-regulated market environment that remains challenging, we will continue to focus on our cost efficiency initiatives and to build on the main drivers of our growth that are accretive to the Group's future earnings contribution."*

## Healthy Balance Sheet with Strong Liquidity Position

With its emphasis on a low-risk balance sheet, the Group's cash and cash equivalent position improved to RMB 146.4 million with a gearing of 0.16x, while total assets grew to RMB 679.4 million as at 30 June 2014.

Trade receivables, another major component of current assets, stood at RMB 100.2 million as at end of June 2014. Despite the cooling Chinese economy, the Group has not experienced any major issues with trade receivables collections in this highly specialised industry.

As at 30 June 2014, shareholders' equity stood at RMB 400.9 million, while net asset value per share stood at RMB 171.31 cents.

At the end of June 2014, the Group's total liabilities stood at RMB 278.5 million, of which the major portion was attributable to trade and other payables of RMB 160.1 million and other financial liabilities of RMB 106.7 million.

## Payout of Special Dividend of S\$0.002 Per Share for FY2014

While the past financial year of FY2014 has been a year of business challenges, the board of directors has recommended a special dividend of S\$0.002 per share, which was approved by shareholders at the recently concluded Annual General Meeting. The dividend will be distributed to shareholders on 28 August 2014.

## Corporate Updates for 1Q2015

With lower mining activities in the slowing Chinese economy, the near-term market conditions for commercial explosives and ammonium nitrate in China remains challenging and as such, construction of the Group's new ammonium nitrate production facilities remained halted.

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

– END –

This document is to be read in conjunction with Fabchem's exchange filings on 13 August 2014, 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.

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
Seismic Charge	震源药柱

#### *Industrial Fuses and Initiating Explosive Devices*

Detonating Cord	导爆索
Non-Electric Tube	导爆管

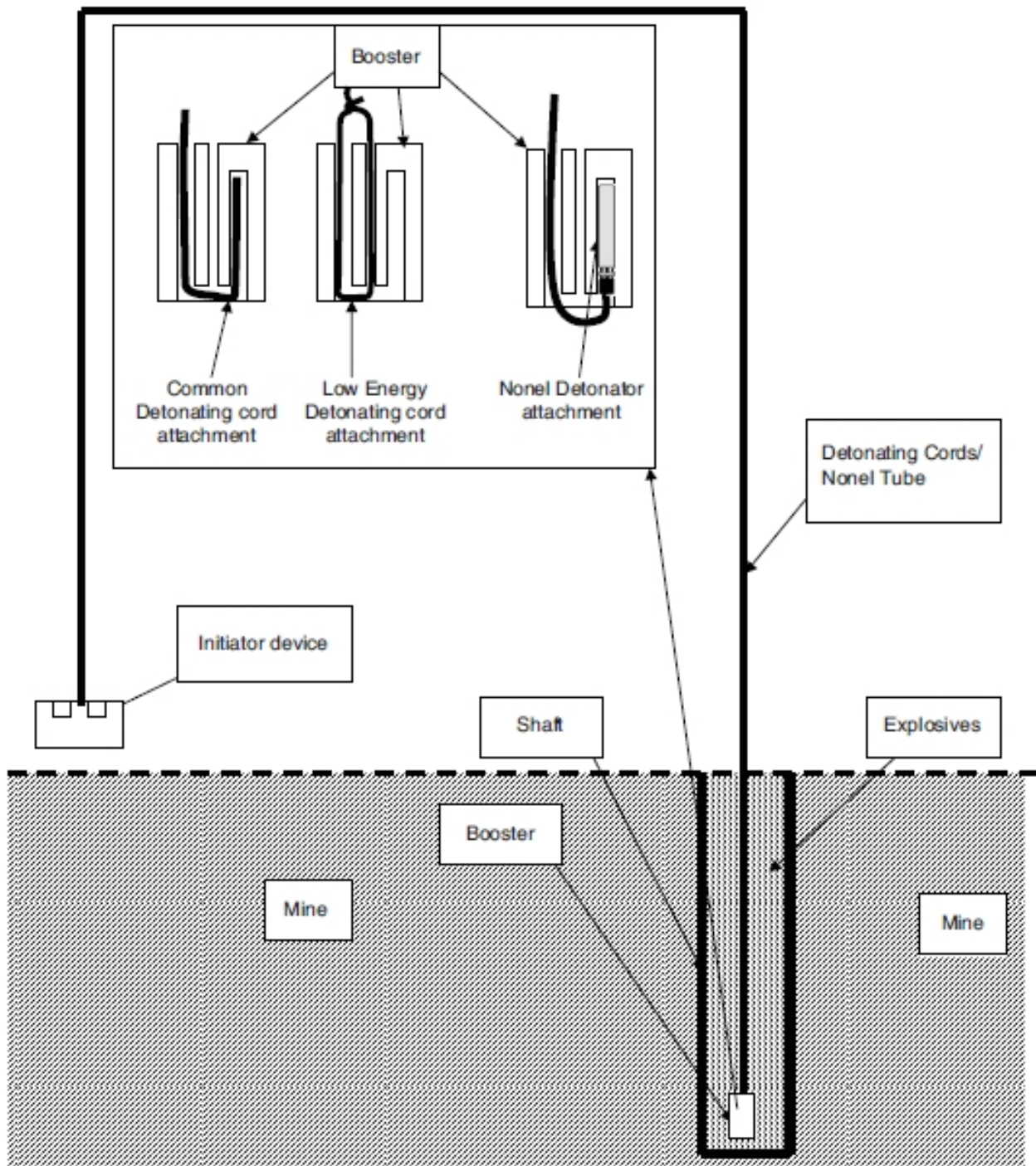
#### *Industrial Detonators*

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