



Fabchem China Limited

FABCHEM CONTINUES ITS GROWTH MOMENTUM IN 3Q2015

- Led by a significant increase in sales of explosives devices, overseas markets continue to be the bright spot for the Group in 9M2015
- Overall gross margin remained relatively stable at above the 30% mark in 9M2015, despite weaknesses in the ammonium nitrate business segment
- Net profit surged 124.5% to approximately RMB 18.1 million in 9M2015
- Strong cash flow generation from operating activities of approximately RMB 85.3 million during 9M2015
- Balance sheet remained healthy with cash and cash equivalents of approximately RMB 177.6 million and gearing of 0.16x⁽¹⁾
- Removal of controlled selling prices in the commercial explosive market by Chinese regulators

<i>(RMB' million)</i>	3Q2015	3Q2014	Change (%)	9M2015	9M2014	Change (%)
Revenue	99.4	94.2	+5.6	308.1	314.7	(2.1)
Gross Profit	30.6	25.2	+21.5	96.1	77.0	+24.7
Profit Before Tax	6.5	4.3	+50.6	32.0	17.8	+80.0
Net Profit	2.8	0.7	+299.1	18.1	8.1	+124.5
EPS ⁽²⁾ (RMB Cents)	1.19	0.3	+299.1	7.75	3.45	+124.5
EBITDA ⁽³⁾	13.6	11.6	+17.8	54.0	39.3	+37.5
<hr/>						
<i>(RMB Cents)</i>	As at 31 Dec 14	As at 31 Mar 14	Change (%)			
NAV per share ⁽²⁾	174.95	168.28	+4.0			

(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 February 2015 – Singapore Exchange Mainboard-listed Fabchem China Limited (“Fabchem”, “中国杰化有限公司” or “the Group”), is pleased to announce an improved set of financial results for the third quarter (“3Q2015”) and nine month period (“9M2015”) for the financial year ending 31 March 2015.

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 within China, where foreign involvement is restricted.



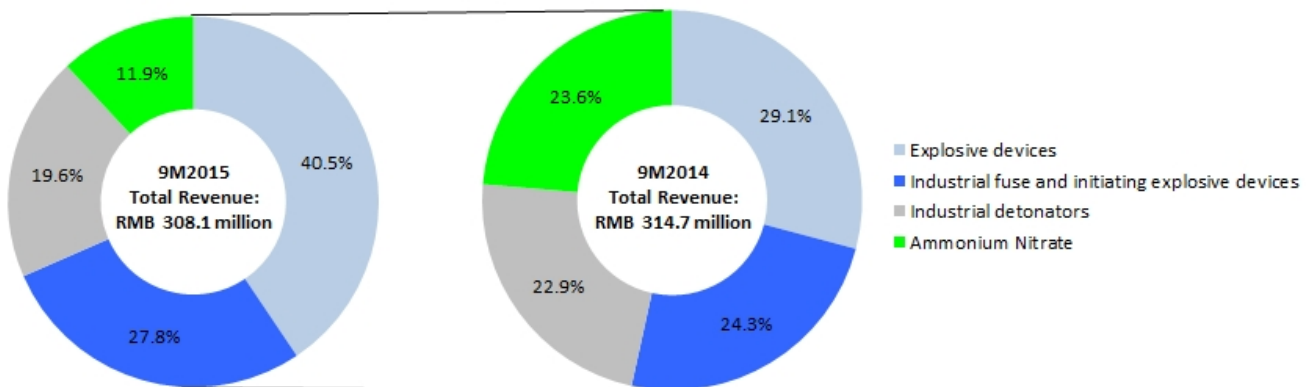
Overseas Markets Remain Bright Spot

Led by strong overseas sales, the Group's revenue in 3Q2015 increased marginally to approximately RMB 99.4 million, despite the weak macro environment of the ammonium nitrate industry.

Overall in 9M2015, the Group's revenue remained relatively stable at approximately RMB 308.1 million, of which the adverse impact of the ammonium nitrate business segment was mitigated by the increased sales of explosives devices and industrial fuse and initiating explosive.

Among the Group's four product segments, the explosive devices product segment and industrial fuse and initiating explosive devices product segment registered revenue growth of 36.5% and 12.3% respectively in 9M2015. Notably, revenue from the Group's ammonium nitrate product segment declined 50.1% with lower market-driven selling prices and quantity.

Given these weak market conditions, the ammonium nitrate business unit continued to incur operating losses in 9M2015 and to mitigate such losses, the Group controlled and limited the production and sale of its ammonium nitrate during this period.



Overseas markets sales growth in 9M2015 continued to outpace the slowdown in the domestic market, hence overseas sales has accounted for a larger composition of the Group's overall revenue, which stood at approximately 37.0% in 9M2015. Australia continued to be a major overseas market for the Group, as sales increased 37.5% to RMB 88.5 million with more orders from global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, on an Original Equipment Manufacturer basis.

With the significant reduction in sales of ammonium nitrate, that accounted for the lowest gross margin product segment, overall gross profit margin improved by approximately 4.1 percentage points to 30.8% and 6.7 percentage points to 31.2% in 3Q2015 and 9M2015 respectively.

In tandem with higher bank loans recorded in 9M2015, finance costs increased to approximately RMB 6.1 million and while operating expenses increased marginally in 9M2015, the Group's EBITDA in 9M2015 grew 37.5% to RMB 54.0 million from RMB 39.3 million in 9M2014.

Overall, the Group's net profit attributable to shareholders grew 124.5% to RMB 18.1 million in 9M2015.

Commenting on the Group's financial performance for 9M2015, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “Led by the continued positive momentum in our overseas sales, our financial performance improved despite the macro challenges in the ammonium nitrate business segment.

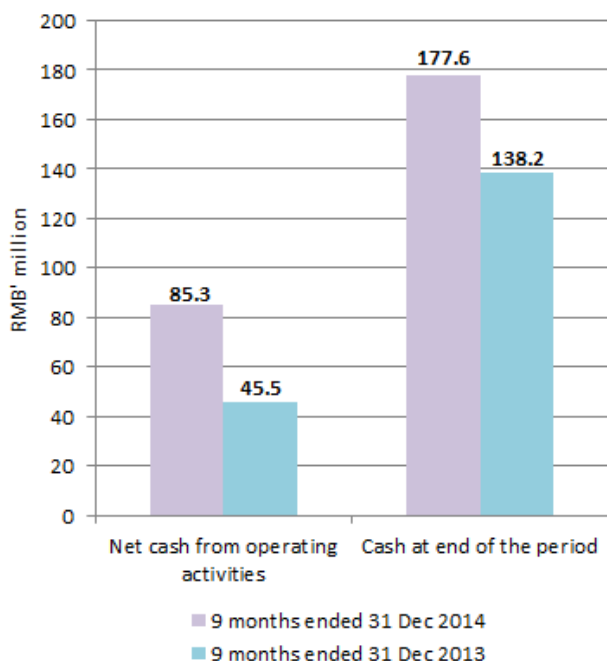
Within this highly specialised and regulated business environment, the resilience of our other product segments is demonstrated by robust gross margins, highlighting our product quality.

A combination of product innovation and operational efficiency has given us market-leading positions in a number of areas. We look forward to gain market share and expand geographically, while maintaining a strong liquidity position.”

Healthy Balance Sheet with Strong Liquidity Position

A core component of the Group's business strategy is to progressively strengthen its balance sheet so that the Group will have the financial flexibility to accomplish its business initiatives, even in uncertain times.

On this front, the Group generated net cash from operating activities of approximately RMB 85.3 million during the 9 months period under review.



With an emphasis on a low-risk and conservative balance sheet, the Group's cash and cash equivalent position improved to approximately RMB 177.6 million with a gearing of 0.16x, while total assets grew to approximately RMB 667.9 million as at 31 December 2014.

Notably, majority of the Group's ammonium nitrate's fixed assets have been impaired as at 31 March 2014 so as to ensure that the Group's balance sheet conservatively reflects asset values.

Trade receivables, another major component of current assets, stood at RMB 82.5 million as at the end of December 2014. Despite the slowdown in the Chinese economy, the Group registered faster trade receivables collection during 9M2015.

At the end of December 2014, the Group's total liabilities stood at RMB 258.5 million, of which the major component was attributable to trade and other payables of RMB 140.9 million and other financial liabilities of RMB 105.7 million.

As at 31 December 2014, shareholders' equity improved to RMB 409.4 million, while net asset value per share stood at RMB 174.95 cents.

Macro Changes in the Commercial Explosives Market in China

At the recent annual China's commercial explosive industry conference in December 2014, the Chinese regulators announced the removal of controlled selling prices of commercial explosives products. Hence, commercial explosives products that are manufactured domestically can be marketed and transacted freely within the domestic market.

While these new government initiatives will likely boost new market opportunities, it could also introduce additional market competition. In response, the Group has reorganised its sales and marketing teams and the management team is closely monitoring the business environment so as to re-align its marketing efforts accordingly.

Separately, in accordance to safety regulations, the Group announced that it has identified a suitable piece of nearby land, with a size of approximately 133,334 m², to build warehousing and storage facilities for its growing production quantities of commercial explosives products. The construction of these warehousing and storage facilities will take approximately 2 years and the related capital investment is estimated to be RMB 84.6 million.

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 February 2015, 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 / SGX Stock Code: I54

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

Industrial Fuses and Initiating Explosive Devices

Detonating Cord 导爆索

Non-Electric Tube 导爆管

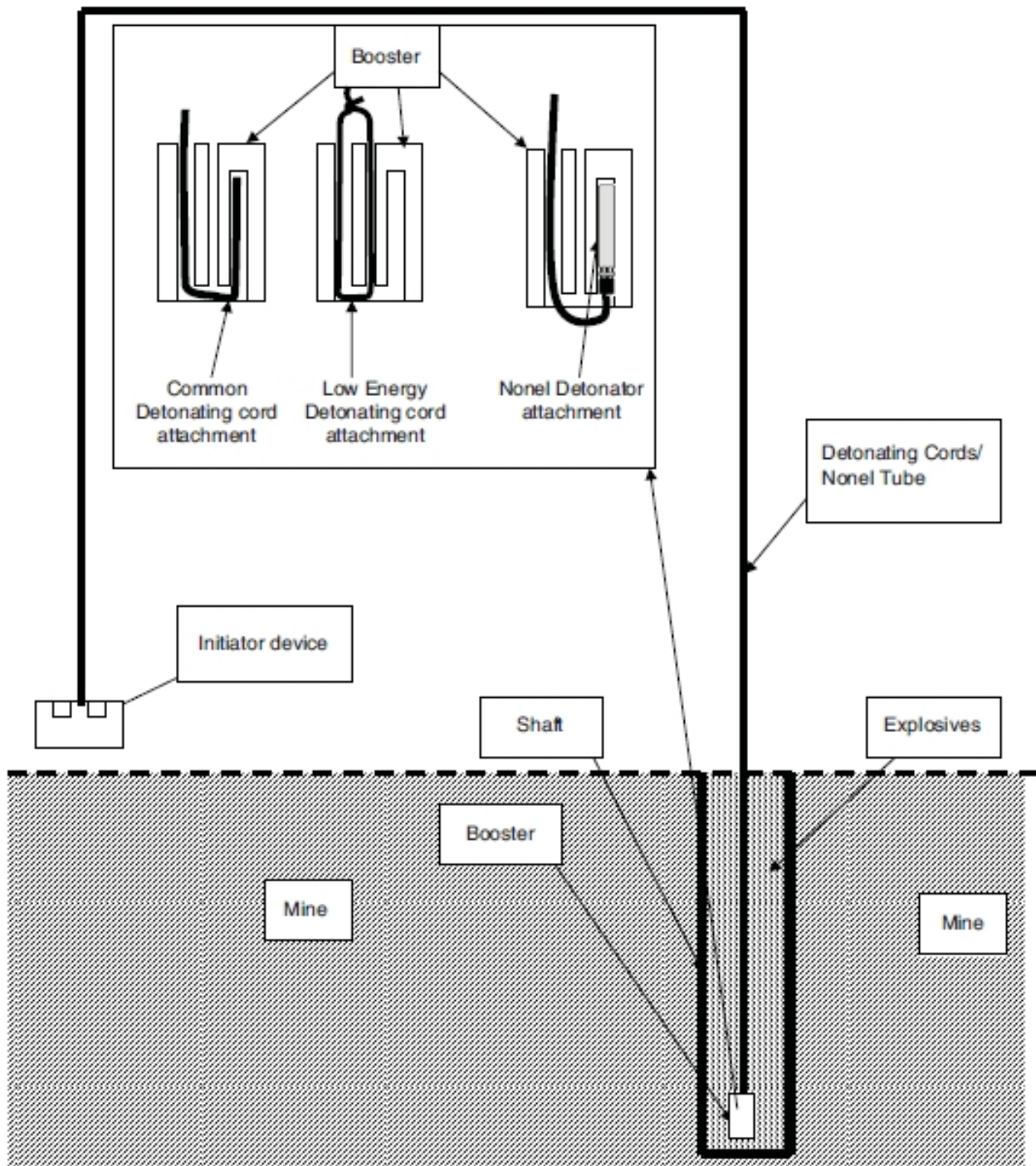
Industrial Detonators

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