



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 significantly lower for the third quarter of FY2013, i.e. the period from 1 October 2012 to 31 December 2012 ("3Q2013"), as compared to the corresponding quarter in the previous financial year ("3Q2012").

This was mainly attributable to lower market-driven prices of ammonium nitrate and the increase in raw materials prices for 3Q2013, as compared to 3Q2012. This situation was mentioned in our second quarter results announcement on 6 November 2012 with regards to the moderate growth of China's economy and the increase in raw materials prices.

Lower market-driven selling prices of ammonium nitrate

The slowdown in China's economy has resulted in a decrease in mining and infrastructure development activities which led to the weakening market conditions for our explosive-grade ammonium nitrate business activities. Our explosive-grade ammonium nitrates are sold to explosives manufacturers who produce explosives mainly for mining and infrastructure development activities.

The selling prices for explosive-grade ammonium nitrate are market-driven and as a result of the weakening demand for explosives, selling prices of our ammonium nitrate have weakened considerably and sales volume has also decreased.

As mentioned during the second quarter results announcement on 6 November 2012, market-driven selling prices of ammonium nitrate decreased by approximately 18.7% during 6M2013 as compared to 6M2012. The market-driven selling prices continued to soften during 3Q2013 which affected our 3Q2013's results.

Increase in raw materials prices

In our second quarter results announcement on 6 November 2012 and other earlier announcements, we also mentioned that our Group has encountered a rise in raw materials prices (such as PETN and RDX) of our commercial explosive products over the last few financial years, and it is expected that this trend may continue in the current financial period/year.

In view of the lower profitability for 3Q2013, our nine-month results for the 9 months period from 1 April 2012 to 31 December 2012 ("9M2013") and full year results for the financial year ending 31 March 2013 ("FY2013") are also expected to be lower than that of the previous corresponding period/year.

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 3Q2013. Details of the Group's results in 3Q2013 are expected to be released on or before 14 February 2013.

Notwithstanding the market-driven factors mentioned above, the management team is continuing our focus on production efficiency and costs reduction initiatives. Coupled together with our ongoing organic plans, the management team believes that the Group will have stronger competitive strengths in this highly regulated and specialised market when the Chinese economy recovers.

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
18 January 2013

