

A CHALLENGING YEAR IN FY2014

- Market conditions for commercial explosives and ammonium nitrate remain weak amid lower economic growth in China
- Impact of the unrelated explosive accident in Shandong Province that curtailed the Group's production capacities
- Strong operating cash flow of RMB 41.7 million generated from specialised product segments
- Balance sheet remained healthy with cash and cash equivalents of RMB 99.5 million and gearing of 0.15x⁽¹⁾
- Net asset value per share⁽²⁾ stood at RMB 168.28 cents as at 31 March 2014
- Proposed special dividend of \$\$0.002 per share for FY2014

(RMB' million)	FY2014	FY2013	Change (%)
Revenue	393.0	489.1	(19.6)
Gross Profit	94.5	133.5	(29.2)
Profit Before Tax	17.6	56.2	(68.7)
Net Profit (before impairment loss)	2.5	31.5	(92.2)
Net (Loss) / Profit (after impairment loss)	(57.5)	31.5	N.M. ⁽⁴⁾
EPS ⁽²⁾ (RMB Cents)	(24.59)	13.46	N.M. ⁽⁴⁾
EBITDA ⁽³⁾	46.4	80.2	(42.2)

- (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
- (4) N.M Not Meaningful

Singapore, **30 May 2014** – Singapore Exchange Mainboard-listed Fabchem China Limited ("Fabchem", "中国杰化有限公司" or "the Group"), announced today its financial results for the full year ended 31 March 2014 ("FY2014").

Based in China with a good safety track record of more than 30 years, Fabchem is a leading manufacturer of initiation systems and the largest booster and detonating cord producer in the supply-regulated industry in China, where foreign involvement is restricted.



Financial Performance Review for FY2014

FY2014 has been a challenging year for the Group as lower economic growth in China and softening of global commodity prices have translated to reduced mining activities.

On average, the Chinese market accounted for more than 70% of the Group's overall revenue. With declining revenue contribution from all of its product segments except industrial detonators, the Group's overall revenue in FY2014 dipped 19.6% to RMB 393.0 million.

Notably, the Group's ammonium nitrate business activities, under Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), incurred an operating loss in FY2014 as market-driven selling prices of ammonium nitrate and sales volume further deteriorated by approximately 15.9% and 22.6% respectively during FY2014, as compared to FY2013. It is projected that the Group's ammonium nitrate business will continue to incur operating losses until market conditions improve.

As a result, the directors have determined that it is prudent to write down the value of its ammonium nitrate assets by RMB 60.0 million to ensure that the Group's balance sheet reflect asset values conservatively.

This non-cash impairment in the carrying value of ammonium nitrate assets has resulted in a net loss after the impairment charge of RMB 57.5 million. This is the first ever loss incurred by the Group. Before the non-cash impairment charge, the Group registered a net profit of RMB 2.5 million, down from RMB 31.5 million in FY2013.

Geographically, Australia remains the key overseas market for the Group, accounting for approximately 82.2% of total overseas revenue of RMB 115.6 million. As an Original Equipment Manufacturer ("OEM") to global renowned commercial explosives players, such as Orica Limited and Dyno Nobel Group, the demand in Australia has been relatively resilient with Fabchem's reliable and cost-effective specialised products.

While the Group's cost saving initiatives and improved production efficiencies has shown encouraging results, overall gross margin in FY2014 dipped by approximately 3.3 percentage points to 24.0% as the Group's gross margin was affected by lower market-driven selling prices for ammonium nitrate, higher raw material prices (in particular PETN and RDX) and the temporary cease production directive during May and June 2013.

While operating expenses decreased in tandem with lower revenue in FY2014, financial costs increased due to the increase in bank loans obtained in relation to the acquisition of the Property at Fei County, Linyi City, Shandong Province, PRC where the Group's manufacturing facilities and warehouses (for the production of the Group's initiation systems products) are located. For further information, please refer to the Group's earlier announcements and the Circular to Shareholders dated 12 July 2011.

The Group's EBITDA in FY2014 dipped 42.2% to RMB 46.4 million from RMB 80.2 million in FY2013.

Commenting on the Group's financial performance for FY2014, Mr Sun Bowen ("孙伯文"), Fabchem's Managing Director, said, "We closed what was undoubtedly a tough year and despite the challenges, we continue to believe in the long-term business opportunities within this specialised market.

We will continue the initiatives to improve our profitability and competitive strengths, which will enable us to harness new business opportunities as market conditions normalize in the long term."

Healthy Balance Sheet with Strong Cash Position

Guided by a conservative financial management policy, total assets stood at RMB 602.9 million as at 31 March 2014 with a gearing of 0.15x and a cash and cash equivalent position of RMB 99.5 million.

Trade receivables, another major component of current assets, stood at RMB 85.6 million as at end of March 2014. And despite the cooling Chinese economy, the Group has not experienced any major issues with trade receivables collections in this highly specialised industry.

As at 31 March 2014, shareholders' equity stood at RMB 393.8 million, while net asset value per share stood at RMB 168.28 cents.

At the end of March 2014, the Group's total liabilities stood at RMB 209.1 million, of which the major portion was attributable to trade and other payables of RMB 108.8 million and other financial liabilities of RMB 90.2 million.

Proposed Special Dividend of \$\$0.002 Per Share for FY2014

While FY2014 has been a year of business challenges, the board of directors remains committed to return value to its shareholders.

As such, the board of directors has recommended a special dividend of \$\$0.002 per share to be approved by shareholders in the upcoming Annual General Meeting.

Forging Ahead

Underpinned by an unrelenting focus on safety, the Group's investment in long term opportunities is balanced with the growth themes of the industry.

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 has been temporarily halted.

Mr Sun concluded, "Fabchem's strong balance sheet and market position in this niche industry gives confidence for the future, however we must continue to build business resiliency to prepare for the challenges and opportunities ahead."

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

This document is to be read in conjunction with Fabchem's exchange filings on 30 May 2014, which can be downloaded via www.sgx.com.

For any enquires on Fabchem's latest financial results announcement, pls email: <u>ir@fabchemchina.com</u>

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

Industrial Fuses and Initiating Explosive Devices

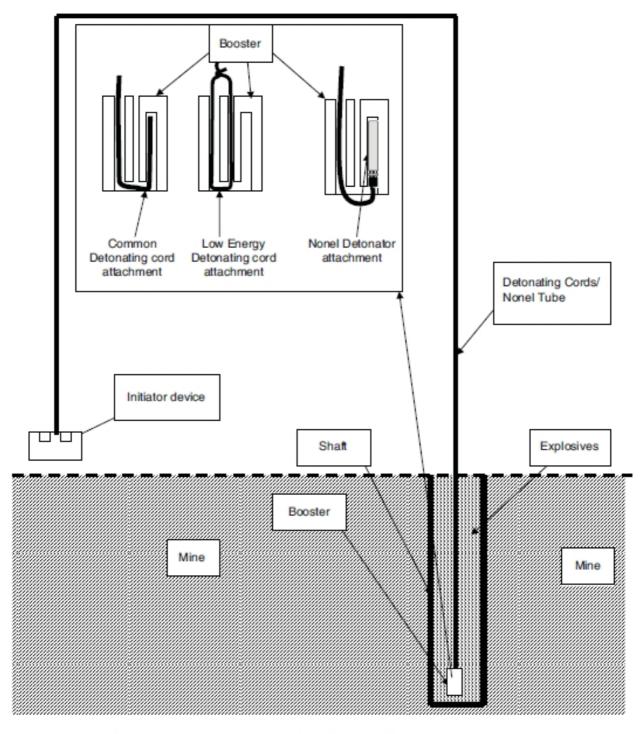
Industrial Detonators

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