



Fabchem China Limited

DISPOSAL GAIN BOOSTS FABCHEM'S FIRST-HALF RESULTS

- Challenging market conditions and curtailed production capabilities continue to influence the Group's sales during 6M2017 with all product segments recording lower revenue contribution
- The Group recorded net gain of approximately RMB 30.1 million from the disposal of its loss-making ammonium nitrate business, Hebei Yinguang
- The Group's gearing reduced significantly to 0.08x⁽¹⁾ with approximately RMB 38.0 million of financial liabilities related to Hebei Yinguang removed from its balance sheet
- Net asset value per share stood at RMB 806.84 cents as at 30 September 2016 with cash and cash equivalents of approximately RMB 83.9 million

<i>(RMB' million)</i>	2Q2017	2Q2016	Change (%)	6M2017	6M2016	Change (%)
Revenue	35.91	58.75	(38.9)	68.41	145.39	(52.9)
Gross Profit	4.03	19.90	(79.8)	7.45	49.17	(84.9)
Profit Before Tax	21.35	4.33	+393.1	9.80	15.98	(38.7)
Net Profit	21.17	1.86	+1037.1	9.39	8.96	+4.9
EPS (RMB Cents) ⁽²⁾	45.24	3.98	+1036.7	20.07	19.13	+4.9
EBITDA ⁽³⁾	27.38	10.86	+152.0	22.22	29.21	(23.9)
<i>(RMB Cents)</i>	As at 30 Sep 16	As at 31 Mar 16	Change (%)			
NAV per share ⁽²⁾	806.84	786.44	+2.6			

(1) Gearing = (Total Borrowings and Debts Securities) / Total Assets

(2) Based on weighted average number of 46.8 million shares

(3) EBITDA – Earnings before Interest, Tax, Depreciation, Amortisation and Impairment

Singapore, 14 November 2016 – 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 second quarter (“2Q2017”) and first half (“6M2017”) for the financial year ending 31 March 2017.

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 commercial explosive industry within China, where foreign involvement is restricted.



Challenges Persist During 6M2017

China's economic slowdown has had a wide-ranging impact on various industries and particularly, mining activities continued to be subdued despite stabilising commodity prices.

In addition, the Group's production capabilities were further affected by more stringent safety requirements that were imposed since October 2015 by the relevant authorities as part of new safety measures for all commercial explosive manufacturers due to two unrelated incidents.

Particularly, the Group's boosters production only resumed on 26 May 2016 after several months of production stoppage since October 2015. However, the Group's two manual production lines of boosters had to cease production due to new safety directives and currently, there is only one automated boosters production line in operation with another automated boosters production line in the final stage of inspection.

As a result, the Group's production capacity of boosters has been significantly affected and with the boosters product segment accounting for a significant portion of the Group's overall revenue, this has directly led to a significant reduction in the Group's revenue during 6M2017.

Together with the Group's two other product segments also registering lower revenue in 2Q2017, the Group's total revenue dipped 38.9% to approximately RMB 35.9 million in 2Q2017, while the Group's total revenue in 6M2017 declined 52.9% to approximately RMB 68.4 million as compared to the previous corresponding period.

The absence of revenue contribution from the booster product segment, during the period of the production stoppage, reduced the Group's gross profit margin by approximately 22.9 percentage points to 10.9% during 6M2017 as compared to the previous corresponding period.

Corresponding to lower revenue recorded during 6M2017, distribution expenses and administrative expenses decreased by 41.5% to approximately RMB 6.6 million and 7.7% to approximately RMB 18.2 million, respectively in 6M2017. In addition, the Group's financial costs dipped 22.3% to approximately RMB 2.9 million, due to lower bank lending rates and lower bank loans after the disposal of its loss-making ammonium nitrate business, Hebei Yinguang Chemical Co. Ltd ("Hebei Yinguang"), that was approved by shareholders during the Extraordinary General Meeting held on 31 August 2016.

The Group's EBITDA in 6M2017 dipped 23.9% to approximately RMB 22.2 million from approximately RMB 29.2 million in 6M2016.

With the disposal of Hebei Yinguang, the Group recorded a net gain on disposal of approximately RMB 30.1 million. And as a result, the Group posted a net profit attributable to shareholders of approximately RMB 9.4 million in 6M2017.

Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “In recent years, our niche and specialised industry has undergone various challenges in the macro regulatory and business environment that have impacted on our operations and financial results.

Nevertheless, we are making progress towards enhancing our production capabilities, product strengths and financial flexibility to be competitive in the current difficult business environment.”

Strengthened Balance Sheet with Reduced Gearing

The disposal of Hebei Yinguang removed approximately RMB 38.0 million of financial liabilities from the Group's balance sheet and as a result, the Group's gearing reduced significantly to 0.08x with a cash and cash equivalent position of approximately RMB 83.9 million

Other components of the Group's current assets include trade receivables, inventories and other assets, which stood at approximately RMB 45.4 million, RMB 38.7 million and RMB 22.4 million respectively, as at the end of September 2016. Overall, total assets stood at approximately RMB 491.3 million as at 30 September 2016.

At the end of September 2016, the Group's total liabilities reduced significantly to approximately RMB 113.7 million, which was mainly due to the reduction of trade and other payables of approximately RMB 30.7 million and the removal of current financial liabilities related to Hebei Yinguang.

Guided by its prudent financial approach and emphasis on a low-risk balance sheet, shareholders' equity improved to approximately RMB 377.6 million, while net asset value per share stood at RMB 806.84 cents as at 30 September 2016.

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This document is to be read in conjunction with Fabchem's exchange filings on 14 November 2016, 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 Code: BFT.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 commercial explosive 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), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes) and industrial detonators (piston non-electric detonators).

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

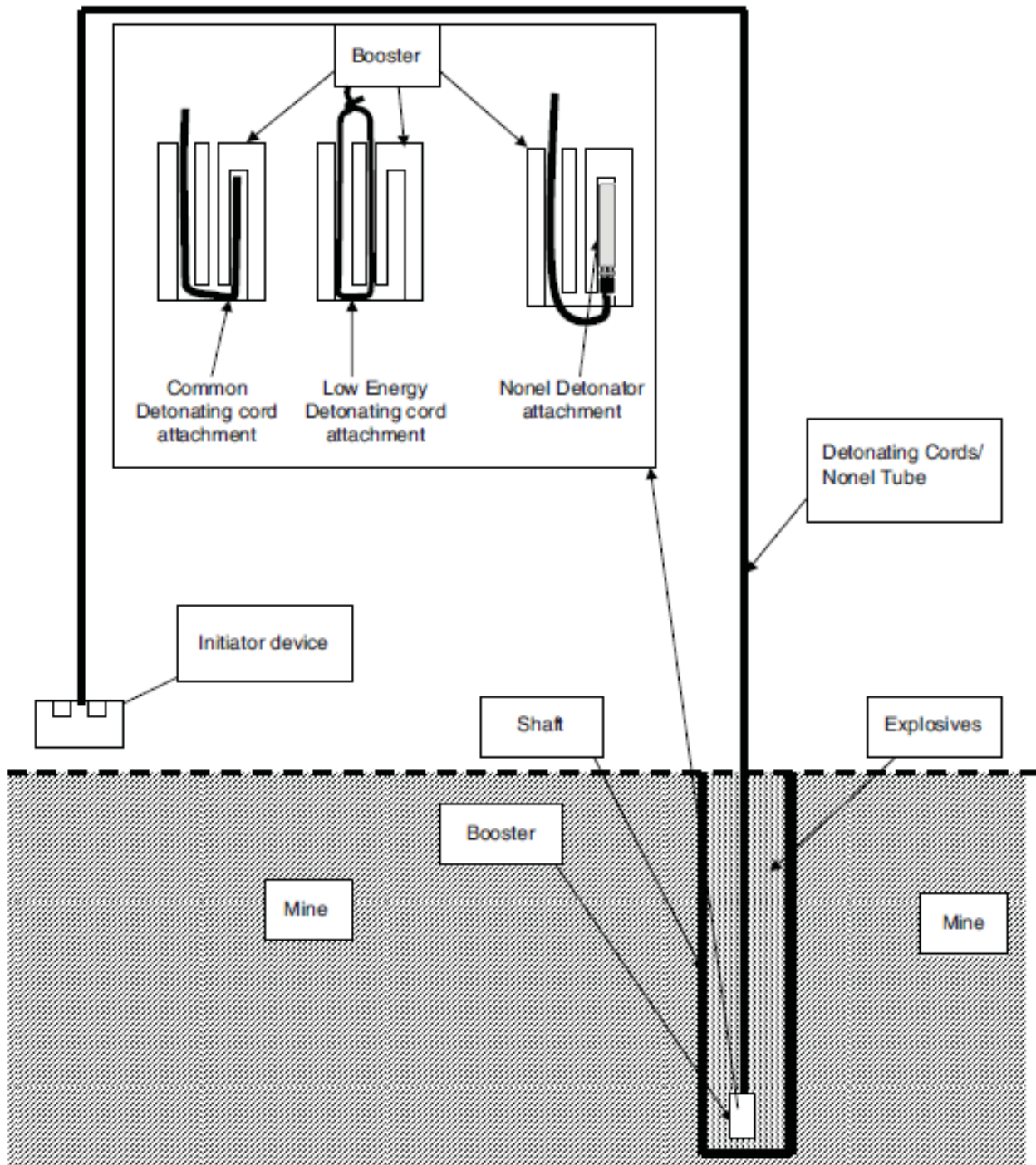
Industrial Detonators

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