



**Fabchem China Limited**

## **PROFIT WARNING**

The Board of Directors (the “Board”) of Fabchem China Limited (the “Group”) wish to caution our shareholders that the Group is expected to report a net loss for the fourth quarter of FY2016, i.e. the period from 1 January 2016 to 31 March 2016 (“4Q2016”), as compared to the corresponding quarter in the previous financial year (“4Q2015”).

As the Group posted a net loss for the first nine months of FY2016, i.e. the period from 1 April 2015 to 31 March 2016 (“FY2016”), the Group is expected to report a net loss for the full year of FY2016, as compared to the previous financial year (“FY2015”).

The loss for 4Q2016 is mainly attributable to:

1. Temporary Suspension of our booster production activities

Announcements issued by the Group on 30 October 2015 and 3 December 2015 highlighted an unrelated explosion incident at a booster production plant in Shandong Province, Linyi City, Pingyi County. As a precautionary measure, the authorities required all commercial explosives manufacturers in Shandong Province to temporarily cease all production of commercial explosive products for safety inspections and clearance by the relevant authorities. Subsequently, on 30 November 2015, the Group received a notification from the relevant authorities to resume production of our commercial explosives products, except for booster production as this product category will require additional safety inspection and clearance by the relevant authorities before the resumption of production.

As of the date of this announcement, the Group has yet to resume production of its booster products as we are awaiting clearance from the relevant authorities to resume production.

The temporary suspension of our booster production activities has severely affected our ability to supply boosters products to our local and overseas customers. Given that the sale of boosters normally contribute significantly to the Group’s revenue, our financial performance in 4Q2016 will be directly affected until production resumes.

2. Challenging market conditions in China

China continues to experience a slowdown in its economic growth and the broad-based weakness in global commodity prices continues to impact mining activities in China. In addition, as pollution and environmental issues remain key issues in China, the Chinese authorities have increased their scrutiny and regulations on industrial activities (such as refinery and power plant facilities) that are major causes of such issues. As a result, these factors have led to reduced mining activities in China and will continue to affect our local sales in China as most of our commercial explosives products are used in mining related activities.



## **Fabchem China Limited**

Management will continue to closely monitor the situation and update shareholders on a timely basis.

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 4Q2016 and FY2016. Details of the Group's results in 4Q2016 and FY2016 are expected to be released on or before 30 May 2016. 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  
8 March 2016

