



Fabchem China Limited

FABCHEM POSTS REVENUE OF RMB 85.9 MILLION FOR 6M2019; GENERATES NET CASH OF RMB 16.3 MILLION FROM OPERATIONS IN FIRST HALF

- Boosters remain bright spot in 6M2019 with revenue growth of 18.0% in 6M2019
- Strong performance from overseas markets with higher sales through export distributors
- The Group's gearing stood at 0.12x⁽¹⁾ with cash and cash equivalents of approximately RMB 98.1 million
- Net asset value per share⁽²⁾ stood at RMB 7.26 as at 30 September 2018

<i>(RMB' million)</i>	<i>2Q2019</i>	<i>2Q2018</i>	<i>Change (%)</i>	<i>6M2019</i>	<i>6M2018</i>	<i>Change (%)</i>
Revenue	40.87	49.05	(16.7)	85.94	97.07	(11.5)
Gross Profit	8.90	11.50	(22.6)	14.87	21.72	(31.5)
Net Loss	(3.69)	(2.21)	67.2	(9.46)	(5.31)	78.2
EBITDA ⁽³⁾	2.90	3.91	(25.8)	3.32	6.40 ⁽⁴⁾	(48.1)

(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 2018 – 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 (“2Q2019”) and first half (“6M2019”) for the financial year ending 31 March 2019.

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.

Review of the Group's 6M2019 Results

The Group has three main product segments (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; and (c) industrial detonators such as non-electric detonators and piston non-electric detonators.

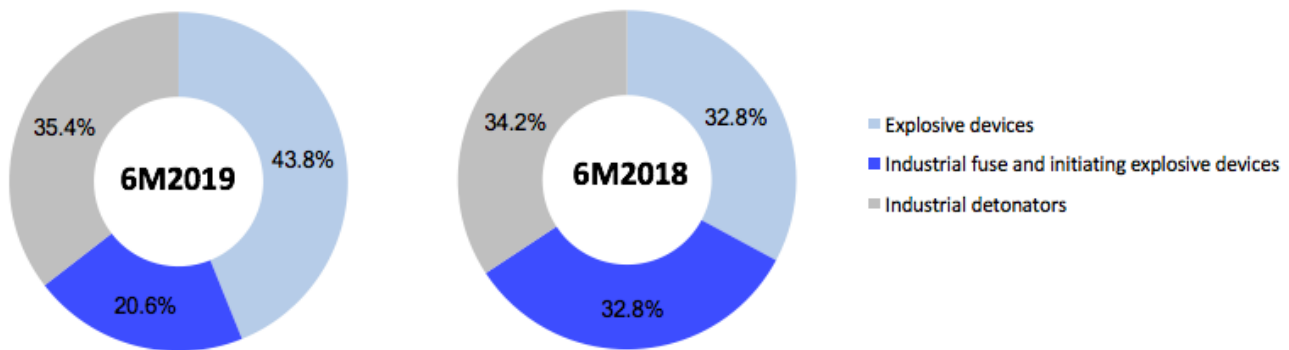
In June 2019, the Chinese authorities issued a temporary cease production directive for 10 days to commercial explosive manufacturers in the Shandong province due to The Shanghai Cooperation Organisation meeting in Qingdao.



Coupled together with higher market competition, the Group registered lower sales revenue of approximately RMB 40.9 million and RMB 85.9 million in 2Q2019 and 6M2019 respectively.

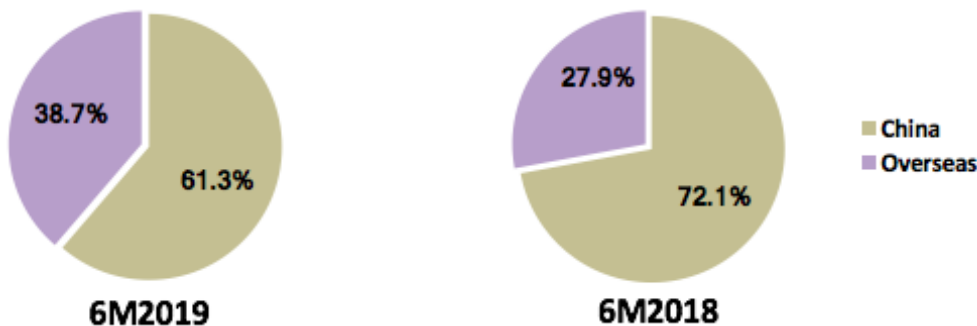
However, with the Group's two automated booster production lines in operational during 6M2019, revenue contribution from boosters registered growth of 18.0% to approximately RMB 37.6 million as compared to the previous corresponding period.

Revenue Breakdown (by Product Segment)



On the geographical front, the Group's sales to overseas markets for 6M2019 increased 22.8% to approximately RMB 33.2 million as overseas sales through export distributors surge 15.3% and 265.2% in 2Q2019 and 6M2019 respectively.

Revenue Breakdown (by Geographical Segment)



Due to temporary cease production directive, higher market competition and lower sales of industrial fuse and initiating explosive devices during 2Q2019 and 6M2019, the Group's gross profit margins declined by approximately 1.7 percentage points to 21.8% and 5.1 percentage points to 17.3% respectively.

Corresponding to lower sales during 2Q2019 and 6M2019, the Group incurred lower distribution expenses which dipped by 4.8% and 9.5% respectively.

With a focus on cost control measures, the Group's administrative expenses, which majority are fixed cost components, decreased by approximately 1.1% and 9.1% in 2Q2019 and 6M2019 respectively.

The Group's finance costs increased by approximately RMB 299,000 and RMB 706,000 mainly due to imputed interest expense on financial liabilities measured at amortised cost and higher bank lending interest rates in the general market during the current period under review.

On an EBITDA basis, the Group registered approximately RMB 3.3 million in 6M2019 but overall, the Group registered a net loss of approximately RMB 9.5 million in 2Q2019.

Notably, the Group generated net cash from operating activities of approximately RMB 16.3 million during 6M2019.

Mr Bao Hongwei (“鲍红伟”), Fabchem’s Managing Director, said, “*External market conditions in the domestic market continue to impact our business but this was mitigated by the revenue growth in our overseas markets, which is a testament to our safety track record and product quality.*”

While we continue to focus in the step-up in our innovation and working capital programmes, we are positioning our business model to be more agile and resilient as we target a turnaround of our financial performance.”

Healthy Balance Sheet with Strong Liquidity Position

Guided by its conservative financial approach, the Group’s total assets remained healthy at approximately RMB 505.9 million as at 30 September 2018 with net asset value per share at RMB 7.26.

Shareholders’ equity stood at approximately RMB 339.9 million with cash and cash equivalents of approximately RMB 98.1 million, while gearing stood at 0.12x as at 30 September 2018.

Other components of the Group’s current assets include trade receivables, inventories and other assets, which stood at approximately RMB 40.5 million, RMB 27.2 million and RMB 16.6 million respectively, as at the end of September 2018.

At the end of September 2018, the Group’s total liabilities stood at RMB 144.8 million, of which the major components are trade and other payables, current, of approximately RMB 77.4 million, other current financial liabilities of approximately RMB 59.7 million and other payables, non-current, of approximately RMB 18.9 million.

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

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This document is to be read in conjunction with Fabchem’s exchange filings on 14 November 2018, which can be downloaded via www.sgx.com.

Issued for and on behalf of Fabchem China Limited



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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

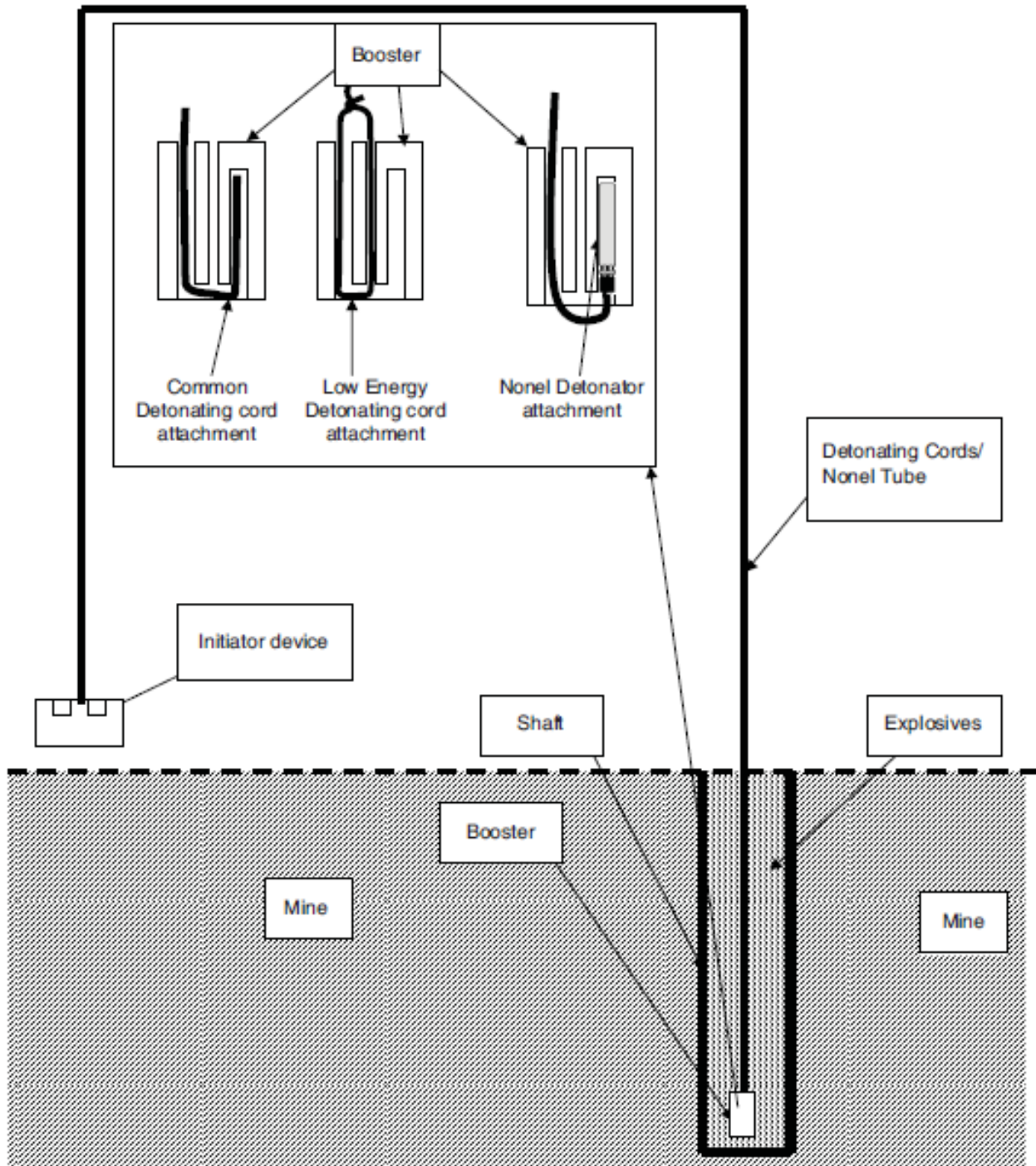
Non-Electric Tube 导爆管

Industrial Detonators

Piston Non-Electric Detonator 活塞式导爆管雷管

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