



**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 revenue and profit are expected to be significantly lower for the second quarter of FY2016, i.e. the period from 1 July 2015 to 30 September 2015 (“2Q2016”), as compared to the corresponding quarter in the previous financial year (“2Q2015”).

This is mainly attributed to two factors as follows:

1. Closure of ports activities due to the explosions at the unrelated warehouses situated at the Port of Tianjin

On 12 August 2015, a series of explosions occurred at warehouses containing “dangerous chemical goods” at the Port of Tianjin, located in the Beihai New Area of Tianjin, China. The explosions resulted in more than one hundred casualties and several hundreds injured.

Although our subsidiary, Shandong Yinguang Technology Co., Ltd (“Yinguang Technology”) does not export through the Port of Tianjin, however other ports, namely Port of Qingdao and Port of Weihai, which Yinguang Technology is using, have been temporarily closed for the export of commercial explosives following the unfortunate explosion incident.

The closure of these ports and stoppage of port activities for commercial explosives have affected our customers’ vessels from docking at the ports and thus Yinguang Technology is unable to load our commercial explosive products onto our customers’ vessels. Yinguang Technology’s shipments to Australia have been affected and currently, we are closely following up with the relevant authorities on the resumption of port activities for commercial explosives products.

The inability to dispatch and handover our commercial explosive products will also affect our production schedule, as Yinguang Technology may not have the sufficient warehouse capacity at this juncture to store the finished commercial explosive products for export. In compliance with the relevant safety regulations, our warehouse capacity is restricted by a certain amount of explosives that are allowed to be stored at any one time.

2. Softening Chinese market

As mentioned in our announcement for the first quarter ended 30 June 2015 (“1Q2016”), China has been experiencing a slowdown in its economic growth and the broad-based weakness in global commodity prices continues to impact mining activities in China. Moreover, due to the challenging market conditions for ammonium nitrate, our subsidiary Hebei Yinguang Chemical Co., Ltd (“Hebei Yinguang”) is expected to incur an operating loss.

Due to the above-mentioned factors, the impact on the Group’s financial performance for 2Q2016 and for the financial year ending 31 March 2016 (“FY2016”) may be significant. The management will continue to closely monitor the situation and update shareholders on a timely basis.





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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 2Q2016. Details of the Group's results in 2Q2016 are expected to be released on or before 13 November 2015. 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  
7<sup>th</sup> September 2015

