



**Fabchem China Limited**

## **CORPORATE UPDATE**

The Board of Directors (the “Board”) of Fabchem China Limited (the “Group”) wishes to update our shareholders that our subsidiary, Shandong Yinguang Technology Co., Ltd (“Yinguang Technology”) has received a notification on 25 May 2016 from the relevant authorities for the resumption of our boosters production. With this notification, Yinguang Technology’s automated production line for boosters resumed production on 26 May 2016.

Yinguang Technology’s second automated production line for boosters is expected to be completed by the end of June 2016 and it will also start supplying boosters products to our local and overseas customers.

Adhering to new regulations, Yinguang Technology’s remaining two manual production lines of boosters will cease production and the Group will likely to convert these two manual production lines into automated production sometime in the future as previously announced, which would lead to an improvement in product quality and further enhance the safety standards of the boosters’ production facilities. Hence, in the meantime, the Group’s production capacity of boosters will be reduced pending the conversion and completion of the automated lines.

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 boosters production as this product category will require additional safety inspection and clearance by the relevant authorities before the resumption of production.

Given that the sale of boosters contributed to a significant part of the Group’s revenue, the Board is of the opinion that the first quarter results for the 3 months ended 30 June 2016 (“1Q2017”) will be significantly affected by the loss of boosters sales for April and May 2016 as compared to the corresponding quarter in the previous financial year (“1Q2016”).

Further details of the Group’s performance will be disclosed when it has finalised its unaudited financial results for 1Q2017. Details of the Group’s results in 1Q2017 are expected to be released on or before 12 August 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  
26 May 2016

