



## Fabchem China Limited

### DISPOSAL GAIN BOOST FABCHEM'S FY2017 RESULTS

- Revenue in FY2017 was mainly affected by the Group's explosive devices business segment whereby its production capacities of boosters were curtailed during FY2017
- Net profit for the financial year mainly due to disposal of loss-making ammonium nitrate business unit, Hebei Yinguang, which resulted in a net gain of approximately RMB 30.1 million
- Net asset value per share<sup>(2)</sup> stood at RMB 788.83 cents with cash and cash equivalents of approximately RMB 83.3 million and gearing of 0.12x<sup>(1)</sup>

| <i>(RMB' million)</i>                                  | <i>FY2017</i> | <i>FY2016</i> | <i>Change (%)</i> |
|--|---------------|---------------|-------------------|
| Revenue  | 148.5         | 198.4         | (25.1)            |
| Gross Profit   | 22.2          | 51.1          | (56.4)            |
| Other Gains  | 32.5          | 1.5           | 2,075.1           |
| Loss Before Tax from continuing operations             | (3.7)         | (21.7)        | (82.8)            |
| Profit / (Loss) from continuing operations, net of tax | 5.0           | (25.5)        | N.M.              |
| Loss from discontinued operations, net of tax          | (4.0)         | (8.3)         | (52.5)            |
| Net Profit/(Loss)                                      | 1.0           | (33.8)        | N.M.              |
| EPS <sup>(2)</sup> (RMB Cents)                         | 2.18          | (72.27)       | N.M.              |
| EBITDA <sup>(3)</sup>                                  | 16.1          | 2.9           | 449.0             |

(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

N.M. – Not Meaningful

**Singapore, 30 May 2017** – 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 full year ended 31 March 2017 (“FY2017”).

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 FY2017 Results

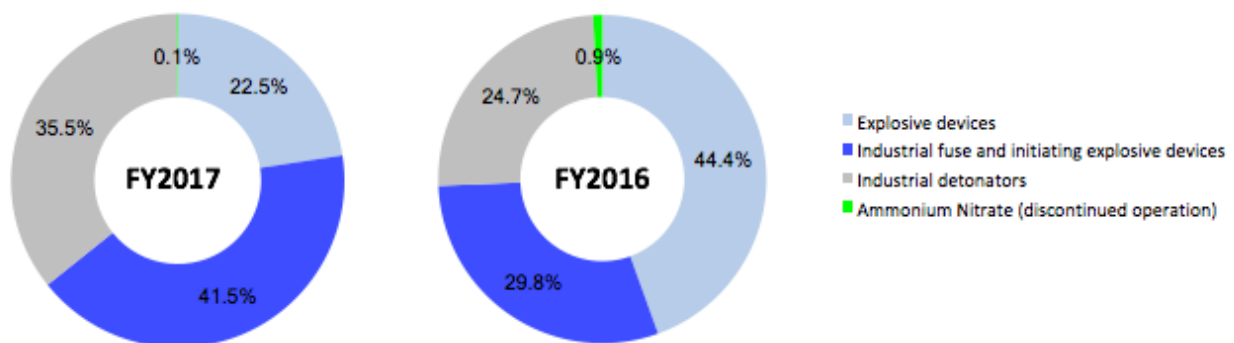
The slowdown in China's economic growth has directly impacted the prices of minerals and metal commodities, leading to reduced mining activities in domestic and foreign markets. In addition, pollution and environmental issues in China have led to reduced mining activities in the domestic market.

Mining activities are closely linked to the Group's business environment as most of its commercial explosives products are used in such activities. In addition, the Group's business operations were further affected by regulatory restrictions on the production of boosters that were imposed during FY2017 by the relevant authorities as part of enhanced safety measures across the entire industry.

With the disposal of its loss-making ammonium nitrate business, Hebei Yinguang Chemical Co. Ltd ("Hebei Yinguang") during FY2017, the Group has 3 core business 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.

While the Group's two product segments, industrial fuse & initiating explosive devices and industrial detonators, registered revenue growth of 3.2% and 6.8% respectively during FY2017, revenue from the product segment of explosive devices (boosters) declined 62.4% and as a result, the Group's overall revenue in FY2017 declined 25.8% to approximately RMB 148.5 million.

### Revenue Breakdown



As mentioned in previous announcements, the Group's boosters production only resumed on 26 May 2016 after several months of production stoppage since October 2015 due to an unrelated explosion incident at a booster production plant in Shandong Province. In addition, the Group's two manual production lines of boosters had to cease production due to new safety directives.

As such, the Group's production capacity of boosters was significantly curtailed with only one automated boosters production line in operation during FY2017. In April 2017, the Group's second automated boosters production line successfully passed the relevant authorities' inspection and has been approved for trial production.

The product segment of explosive devices (boosters) accounts for a significant portion of the Group's domestic and overseas sales, hence this has directly led to a significant reduction in the Group's overall revenue during FY2017.

The Group's gross profit margin dipped to 15.0% in FY2017 due to the boosters production stoppage for the first two months of FY2017, the impact of lower sales from our boosters products related to the transition of the boosters' upgrading program that impacted production capacity as well as lower selling prices of some of its product range due to market competition.

With lower revenue recorded during FY2017, distribution expenses and administrative expenses decreased by 3.5% to approximately RMB 18.9 million and 19.6% to approximately RMB 31.2 million, respectively in FY2017. During FY2017, the Group's financial costs also dipped 6.5% to approximately RMB 3.5 million, due to the Group's lower bank lending rates.

The Group's EBITDA in FY2017 increased 449.0% to approximately RMB 16.1 million from approximately RMB 2.9 million in FY2016.

The disposal of Hebei Yinguang resulted in a net gain of approximately RMB 30.1 million and together with other gains of approximately RMB 2.4 million, the Group registered an overall net profit of approximately RMB 1.0 million in FY2017.

**Commenting on the Group's financial performance for FY2017, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “Challenging business conditions and enhanced safety measures have continued to put our operating revenue and margins under pressure.**

*Fabchem has had to cope with difficult times, but we are focused on executing our key strategies to improve our financials and redefine our future in this niche and specialized industry.”*

### **Robust Balance Sheet**

Although faced with a challenging business environment in the past few years, the Group's total assets stood at approximately RMB 500.9 million with a gearing of 0.12x as at 31 March 2017, while cash and cash equivalent position stood at approximately RMB 83.3 million.

Trade receivables, another major component of current assets, stood at approximately RMB 53.3 million as at the end of March 2017.

The disposal of Hebei Yinguang and the repayment of Hebei Yinguang's RMB 30.0 million bills payables during FY2017 reduced the Group's total liabilities to approximately RMB 131.8 million as at 31 March 2017, of which the major components were attributable to trade and other payables of RMB 67.5 million and other financial liabilities of RMB 59.7 million.

As at the end of March 2017, shareholders' equity improved marginally to approximately RMB 369.2 million and net asset value per share stood at RMB 788.83 cents per share.

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

– END –

This document is to be read in conjunction with Fabchem's exchange filings on 30 May 2017, which can be downloaded via [www.sgx.com](http://www.sgx.com).

For any enquires on Fabchem's latest financial results announcement, pls email: [ir@fabchemchina.com](mailto:ir@fabchemchina.com)

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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

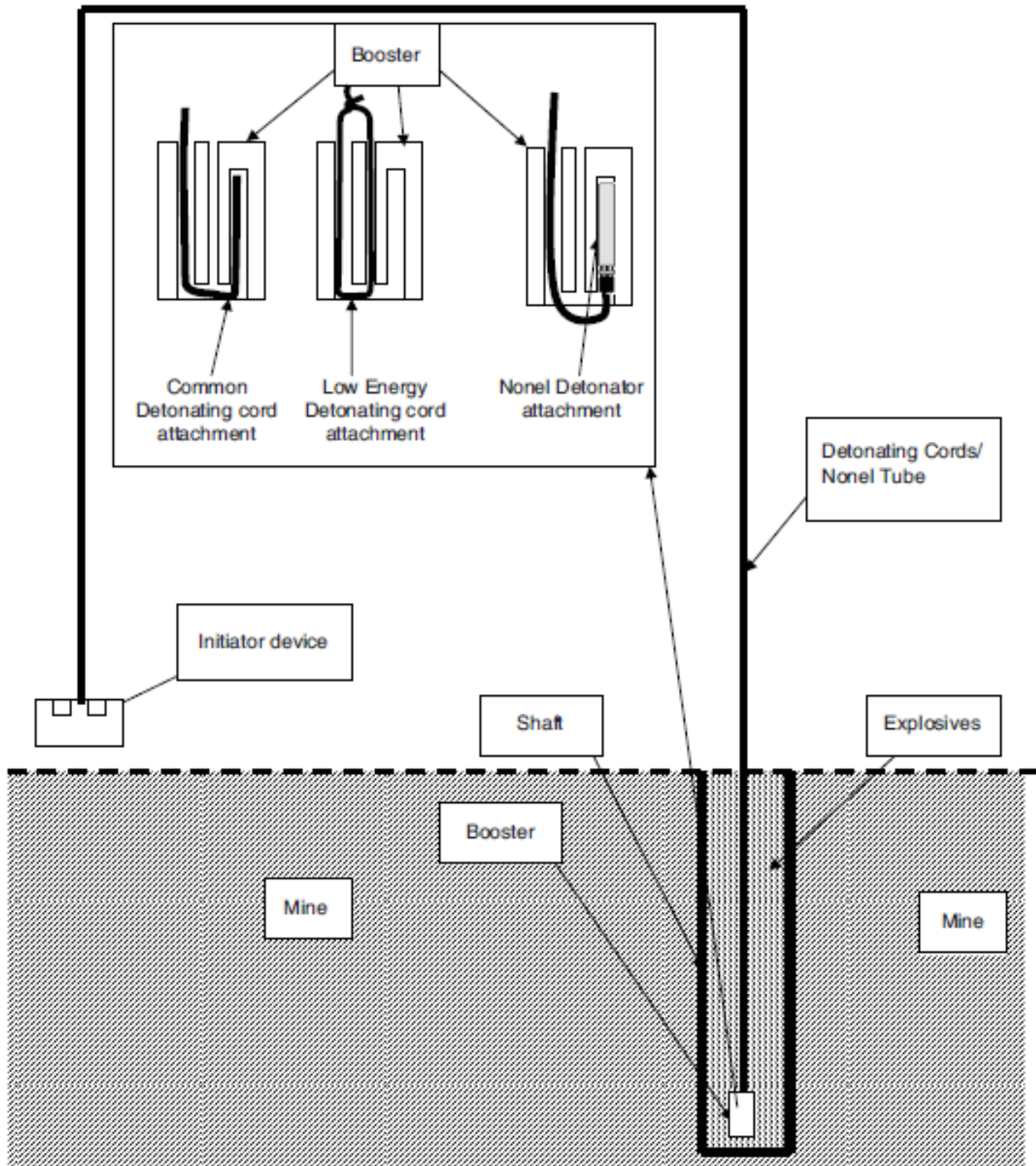
Non-Electric Tube 导爆管

### *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