

FABCHEM CHINA LIMITED
(Company Registration No.: 200413128G)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX'S QUERIES ON RESULTS ANNOUNCEMENT FOR THE 1ST QUARTER ENDED 30 JUNE 2017

The Board of Directors ("the Board") of Fabchem China Limited (the "Company") refers to the following queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on its Results Announcement for the 1st Quarter ended 30 June 2017 ("1Q2018") released on 11 August 2017, and wishes to provide the following clarification:

SGX Query (1):

In the Announcement, it was disclosed that distribution costs had increased by 70.5%, although revenue had increased by 48.1%. Please provide a breakdown of the "Distribution costs" incurred, and the respective increases over the comparative period.

Company's response:

As mentioned under Note 8 on page 10 of the 1Q2018 Results Announcement, the Group's distribution costs increased by approximately RMB 2.1 million or 70.5% mainly due to higher sales activities during 1Q2018 as well as higher freight and port charges related to increased export sales during the current quarter under review.

As disclosed under Note 8 on page 8 of the 1Q2018 Results Announcement, export sales increased by RMB 7.6 million or 1010.0% during 1Q2018 as compared to 1Q2017.

Summary of the breakdown of distribution costs incurred for 1Q2018 and 1Q2017 are as follows:

	1st Quarter ended 30 June 2017 ("1Q2018") RMB'000	1st Quarter ended 30 June 2016 ("1Q2017") RMB'000	Increase/ (Decrease) %
Transportation expenses	1,714	1,100	55.8
Port and loading charges	755	131	476.3
Other distribution expenses *	2,602	1,744	49.2
Total distribution expenses	5,071	2,975	70.5

* Other distribution expenses include salaries and salaries related expenses of sales personnel, sales personnel travelling related expenses, etc

SGX Query (2):

Please provide a breakdown and aging analysis of "Trade receivables", amounting to RMB 48.86 million.

Company's response:

Breakdown and aging analysis for trade receivables as at 30 June 2017:

RMB'000	Total RMB'000	Debts < 90 days	90 days < Debts < 180 days	180 days < Debts < 1 year	Debts > 1 year
Gross	69,033	29,292	7,832	9,875	22,034
Impairment on trade receivables	(20,171)	-	-	-	(20,171)
Net	48,862	29,292	7,832	9,875	1,863

SGX Query (3):

Please disclose the nature of “Other receivables” of RMB 8.28 million and details of the underlying contracts that gave rise to this amount.

Company’s response:

	As at 30 June 2017 RMB’000	Nature
Refundable deposit	6,000	Refundable deposit for acquisition of office space
Transfer of motor vehicle	400	Pending tax invoice to reclass to property, plant and equipment
Other receivable from Hebei Yinguang Chemical Co., Ltd (“Hebei Yinguang”)	679	Balance of transition amount owing from Hebei Yinguang subsequent to transfer of ownership to third party
Others	1,202	Other refundable deposit, security deposits for project tenders and other receivables for sundries operating expenses
Total other receivables	8,281	

By Order of the Board
Fabchem China Limited

Dr Lim Seck Yeow
Non-Executive Chairman

Date: 15 September 2017