



Fabchem China Limited

**RESPONSE TO THE QUERIES FROM THE SINGAPORE EXCHANGE
SECURITIES TRADING LIMITED (“SGX-ST”) IN RESPECT OF THE
COMPANY’S RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2011 (“FY2011”)**

The Board of Directors (the “Board”) of Fabchem China Limited (the “Company”) and its subsidiaries (the “Group”) refers to the following queries raised by the SGX-ST on 27 May 2011:-

1. *“Government grants” – Please disclose the nature and purpose of these government grants.*

Government grants relates to the grants received during the current financial year by the Group’s subsidiaries for our good safety records, etc. These government grants from the respective authorities were ad-hoc in nature and may not recur in the future.

2. *“Allowance for impairment on trade receivables” – Please elaborate, on (i) how long past due these receivables are and what steps are being taken to recover the amounts, if any; and (ii) whether any of these amounts are due from major customers or related parties.*

Ageing for allowance for impairment on trade and other receivables:-

| | Allowance for impairment on trade and other receivables (RMB’000) |
|--|---|
| Within 90 days from date of invoice | 742 |
| 91 to 365 days after date of invoice | 789 |
| More than 1 year after date of invoice | 2,403 |
| Total allowance for FY2011 | 3,934 |

The trade and other receivables are assessed individually to determine whether allowance for impairment is necessary. There are several reasons on why these debts were provided for impairment during the current financial year, and they include disputes with customers, long outstanding slow moving debtors, etc. The subsidiaries (sales and finance teams) are actively liaising with the respective customers to resolve these matters. Due to the nature of our commercial explosives industry, there may be some time lapse or miscommunication in between where both parties would require more time to resolve.

These amounts are not from any of our major customers or related parties.





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3. *Paragraph 18 – “With effect from, December 2011, Yinsheng Investments had divested all its interest in Aoxin... etc”. Please confirm whether the date “December 2011” is correct.*

The Company wishes to clarify that this is a typo-error and the correct statement should read:-

“With effect from December 2010, Yinsheng Investments had divested all its interest in Aoxin and Mr Sun Bowen is no longer a director of Aoxin. Thus, Aoxin will cease to be a related party with immediate effect.”

**BY ORDER OF THE BOARD
SUN BOWEN
MANAGING DIRECTOR
1 JUNE 2011**

