



## Fabchem China Limited

### REGULATORY DIRECTIVES IMPACT FABCHEM'S 9M2016 RESULTS

- Lower revenue registered in 3Q2016 across the Group's product segments, as production activities were temporary halted for more than one month as part of the authorities' safety directive due to an unrelated explosion incident at a booster production plant in Shandong Province
- Cash generated from niche and highly regulated operating activities remained strong with RMB 24.9 million and RMB 46.8 million recorded in 3Q2016 and 9M2016 respectively
- Cash and cash equivalents increased 35.6% to RMB 170.7 million with a gearing of 0.17x<sup>(1)</sup>

<i>(RMB' million)</i>	<b>3Q2016</b>	<b>3Q2015</b>	<b>Change (%)</b>	<b>9M2016</b>	<b>9M2015</b>	<b>Change (%)</b>
Revenue	37.4	99.4	(62.3)	182.8	308.1	(40.7)
Gross Profit	4.5	30.6	(85.1)	53.7	96.1	(44.1)
(Loss)/Profit Before Tax	(18.1)	6.5	(378.0)	(2.1)	32.0	(106.7)
Net (Loss)/Profit	(16.8)	2.8	(701.0)	(7.8)	18.1	(143.1)
EPS (RMB Cents)	(35.83) <sup>(2)</sup>	5.96 <sup>(2)</sup>	(701.2)	(16.69) <sup>(2)</sup>	38.74 <sup>(2)</sup>	(143.1)
EBITDA <sup>(4)</sup>	(10.7)	13.6	(178.2)	18.6	54.0	(65.6)
<b>(RMB Cents)</b>						
	<b>As at 31 Dec 15</b>	<b>As at 31 Mar 15</b>	<b>Change (%)</b>			
NAV per share	841.27 <sup>(2)</sup>	172.74 <sup>(3)</sup>	N.M <sup>(5)</sup>			

(1) Gearing = (Total Borrowings and Debts Securities) / Total Assets

(2) Based on weighted average number of 46.8 million shares (after completion of the Share Consolidation as at 9.00 am on 1 September 2015, where every five (5) Shares registered in the name of each Shareholder have been consolidated into one (1) Consolidated Share and the issued share capital of the Company will comprise 46,800,000 Consolidated Shares

(3) Based on 234 million shares as at 31 March 2015

(4) EBITDA – Earnings before Interest, Tax, Depreciation, Amortisation and Impairment

(5) N.M – Not Meaningful

**Singapore, 11 February 2016** – 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 third quarter (“3Q2016”) and nine month period (“9M2016”) for the financial year ending 31 March 2016.



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.

### **Additional Challenges to Business Operations During 9M2016**

While China's slowing economic growth affected mining activities that has led to reduced sales in our commercial explosive products, the Group's business operations were further impacted by regulatory restrictions imposed by the relevant authorities as part of safety measures during 9M2016.

Previously, in the second quarter of FY2016, the Group's overseas sales were affected by the temporary closure of ports, namely the Port of Qingdao and Port of Weihai during September 2015, that was indirectly attributed to the explosions at the unrelated warehouses situated at the Port of Tianjin. And in 3Q2016, the Group's production activities were temporary halted for more than one month as part of the authorities' safety directive due to an unrelated explosion incident at a booster production plant in Shandong Province. As of the date of this press release, the Group has not resume production of our booster product segment pending the clearance confirmation by the relevant authorities.

With lower revenue registered across all four product segments, the Group's revenue declined 62.3% to approximately RMB 37.4 million in 3Q2016, while revenue for 9M2016 dipped 40.7% to approximately RMB 182.8 million.

Affected by the temporary stoppage of production activities in 3Q2016, the Group's gross profit margin dipped by approximately 1.8 percentage points to 29.4% in 9M2016. The impact to gross profit margin was mitigated by the significant reduction in sales of ammonium nitrate, where production has been halted due to weakening market conditions. Among the Group's product mix, the ammonium nitrate product segment accounted for the lowest gross margin product segment.

Corresponding to lower levels of operating activities in 9M2016, distribution expenses and administrative expenses decreased by 34.2% to approximately RMB 15.6 million and 6.8% to approximately RMB 29.6 million, respectively in 9M2016.

The Group's EBITDA in 9M2016 dipped 65.6% to approximately RMB 18.6 million from approximately RMB 54.0 million in 9M2015. Against the back of regulatory restrictions and challenging market conditions, the Group recorded a net loss attributable to shareholders of approximately RMB 7.8 million in 9M2016.

**Commenting on the Group's financial performance for 9M2016, Mr Sun Bowen (“孙博文”), Fabchem's Managing Director, said, “*During these challenging times, we continue to generate positive cash flow from our specialised and highly regulated business operations.*”**

*Safety remains at the centre of our business operations and we have been subjected to various regulatory reviews that have found our production facilities to be of high safety standards.*

*With a view to grow value into the future, we will continue to review and enhance everything we do so that we can benefit from improved economic and industry conditions over the long term.”*

## **Healthy Liquidity Position with Strong Cash Flow from Operating Activities**

Reflecting the underlying strengths of the Group's business activities in this niche and highly regulated industry, the Group generated cash flow of approximately RMB 46.8 million from business operations during 9M2016. However, given the challenging business environment, the Group is cautious about the undue pressure on our future operating cash flow that may be impacted by the suspension of our boosters production and possible delays in our receivables collection.

Adhering to a prudent financial management policy, the Group's total assets stood at approximately RMB 613.8 million as at 31 December 2015 with a gearing of 0.17x.

Cash and cash equivalent position improved to approximately RMB 170.7 million as at 31 December 2015 from RMB 125.9 million as at 31 March 2015. Key components of the Group's current assets, trade receivables and inventories stood at approximately RMB 49.8 million and RMB 38.9 million respectively as at the end of December 2015.

As at 31 December 2015, shareholders' equity stood at approximately RMB 393.7 million, while net asset value per share stood at RMB 841.27 cents.

At the end of December 2015, the Group's total liabilities stood at approximately RMB 220.0 million, of which the major component was attributable to trade and other payables of approximately RMB 102.4 million and other financial liabilities of approximately RMB 105.6 million.

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This document is to be read in conjunction with Fabchem's exchange filings on 11 February 2016, which can be downloaded via [www.sgx.com](http://www.sgx.com).

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*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 and seismic charges), industrial fuse and initiating explosive devices (detonating cords and non-electric tubes), industrial detonators (piston non-electric detonators), as well as explosive-grade ammonium nitrate.

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

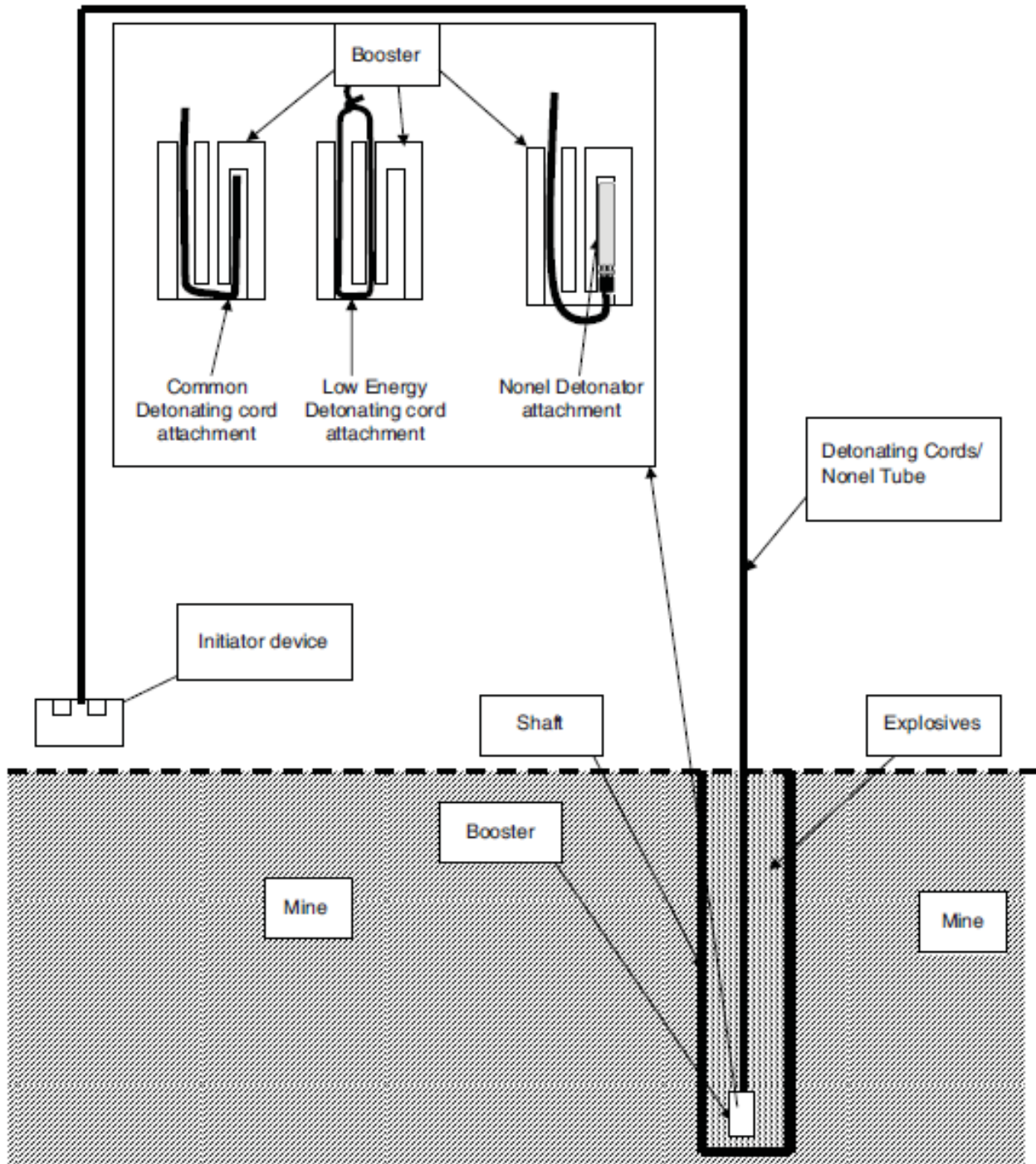
### *Industrial Detonators*

Piston Non-Electric Detonator 活塞式导爆管雷管

Ammonium Nitrate 硝酸铵

## 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