Fabchem China Limited

# UPGRADING TRANSITION IMPACTS FABCHEM'S 9M2017 RESULTS

- Together with two manual production lines of boosters ceasing production, the transition of the Group's boosters upgrading program continue to impact the Group's production capacity of booster during 9M2017
- Second automated production line for boosters in the final stage of inspection
- Sales of the Group's two other product segments registered growth of 64.7% and 62.7% respectively during 3Q2017, boosting overall revenue growth of 2.4% in 3Q2017
- The Group's gearing stood at 0.12x(1) with cash and cash equivalents of approximately RMB 93.9 million as at 31 December 2016

| *(RMB' million)* | *3Q2017* | *3Q2016* | *Change (%)* | *9M2017* | *9M2016* | *Change (%)* |
|---|---|---|---|---|---|---|
| **Revenue** | **38.4** | **37.4** | **+2.4** | **106.8** | **182.8** | **(41.6)** |
| **Gross Profit** | **6.4** | **4.5** | **+40.2** | **13.8** | **53.7** | **(74.3)** |
| **Loss Before Tax** | **(12.4)** | **(18.1)** | **(31.8)** | **(2.6)** | **(2.1)** | **(19.3)** |
| **Net Loss** | **(12.6)** | **(16.8)** | **(25.1)** | **(3.2)** | **(7.8)** | **(59.4)** |
| **EPS (RMB Cents) (2)** | **(26.84)** | **(35.83)** | **(25.1)** | **(6.77)** | **(16.69)** | **(59.4)** |
| **EBITDA(3)** | **(6.7)** | **(10.8)** | **(38.0)** | **15.6** | **18.6** | **(16.2)** |

| *(RMB Cents)* | **As at 31 Dec 16** | **As at 31 Mar 16** | *Change (%)* |
|---|---|---|---|
| **NAV per share(2)** | **779.98** | **786.44** | **(0.8)** |

(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

**Singapore, 13 February 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 third quarter ("3Q2017") and nine-month period ("9M2017") for the financial year ending 31 March 2017.

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 9M2017 Results

While the Group's production capacity of boosters were curtailed with only one automated boosters production line in operation during 3Q2017, the Group's two other product segments, industrial fuse & initiating explosive devices and industrial detonators, mitigated the impact with growth of 64.7% and 62.7% respectively as the Group's overall revenue in 3Q2017 registered a 2.4% growth.

Previously, the Group's boosters production only resumed on 26 May 2016 after several months of production stoppage since October 2015. However, the Group's two manual production lines of boosters had to cease production due to new safety directives. Currently, there is another automated boosters production line in the final stage of inspection.

As a result, the Group's production capacity of boosters has been significantly affected and with the boosters product segment accounting for a significant portion of the Group's domestic and overseas sales, this has directly led to a significant reduction in the Group's overall revenue during 9M2017.

With the disposal of its loss-making ammonium nitrate business, Hebei Yinguang Chemical Co. Ltd ("Hebei Yinguang"), during 2Q2017, which was of lower gross margin, and the resumption of our production facilities, the Group's gross profit margin improved to 16.6% in 3Q2017 as compared to the previous corresponding period. However, during 9M2017, the drop in revenue contribution from the booster product segment, during the period of the production stoppage for the first two months of 9M2017 as well as lower production capacity related to the transition of the boosters' upgrading program, reduced the Group's gross profit margin to 13.3% from 29.4% in 9M2016.

Corresponding to lower revenue recorded during 9M2017, distribution expenses and administrative expenses decreased by 21.9% to approximately RMB 12.2 million and 8.7% to approximately RMB 27.0 million, respectively in 9M2017. During 9M2017, the Group's financial costs also dipped 29.8% to approximately RMB 3.8 million, due to the Group's lower bank lending rates and lower bank loans.

The Group's EBITDA in 9M2017 dipped 16.2% to approximately RMB 15.6 million from approximately RMB 18.6 million in 9M2016.

As a result of the above, the Group's net loss for 3Q2017 narrowed to approximately RMB 12.6 million and with the gain on disposal of Hebei Yinguang during 2Q2017, the Group recorded a net loss of approximately RMB 3.2 million for 9M2017.

**Mr Sun Bowen ("孙伯文"), Fabchem's Managing Director, said,** *"Boosters have been a major component of our revenue within this niche and specialised industry, thus we maintain our strategy in our upgrading program to enable us to respond to the operational challenges and keep meeting our customers' expectations.*

*Nevertheless, we retained a strong focus on cost savings initiatives and strict discipline on capex."*

## Guided by a Prudent Financial Management Policy

At the end of December 2016, the Group's shareholders' equity stood at approximately RMB 365.0 million, while net asset value per share stood at RMB 779.98 cents.

As previously highlighted in 2Q2017, the disposal of Hebei Yinguang removed a significant portion of financial liabilities from the Group's balance sheet and as a result, the Group's gearing as at 31 December 2016, stood at 0.12x with a cash and cash equivalent position of approximately RMB 93.9 million.

Other components of the Group's current assets include trade receivables, inventories and other assets, which stood at approximately RMB 42.4 million, RMB 40.4 million and RMB 23.6 million respectively, as at the end of December 2016. Overall, total assets stood at approximately RMB 496.6 million as at 31 December 2016.

As at 31 December 2016, the Group's total liabilities reduced significantly to approximately RMB 131.6 million, which was mainly due to the reduction of trade and other payables of approximately RMB 34.5 million and the removal of current financial liabilities related to Hebei Yinguang.

**– END –**

This document is to be read in conjunction with Fabchem's exchange filings on 13 February 2017, which can be downloaded via www.sgx.com.

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*For any enquires on Fabchem's latest financial results announcement, pls email: 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**

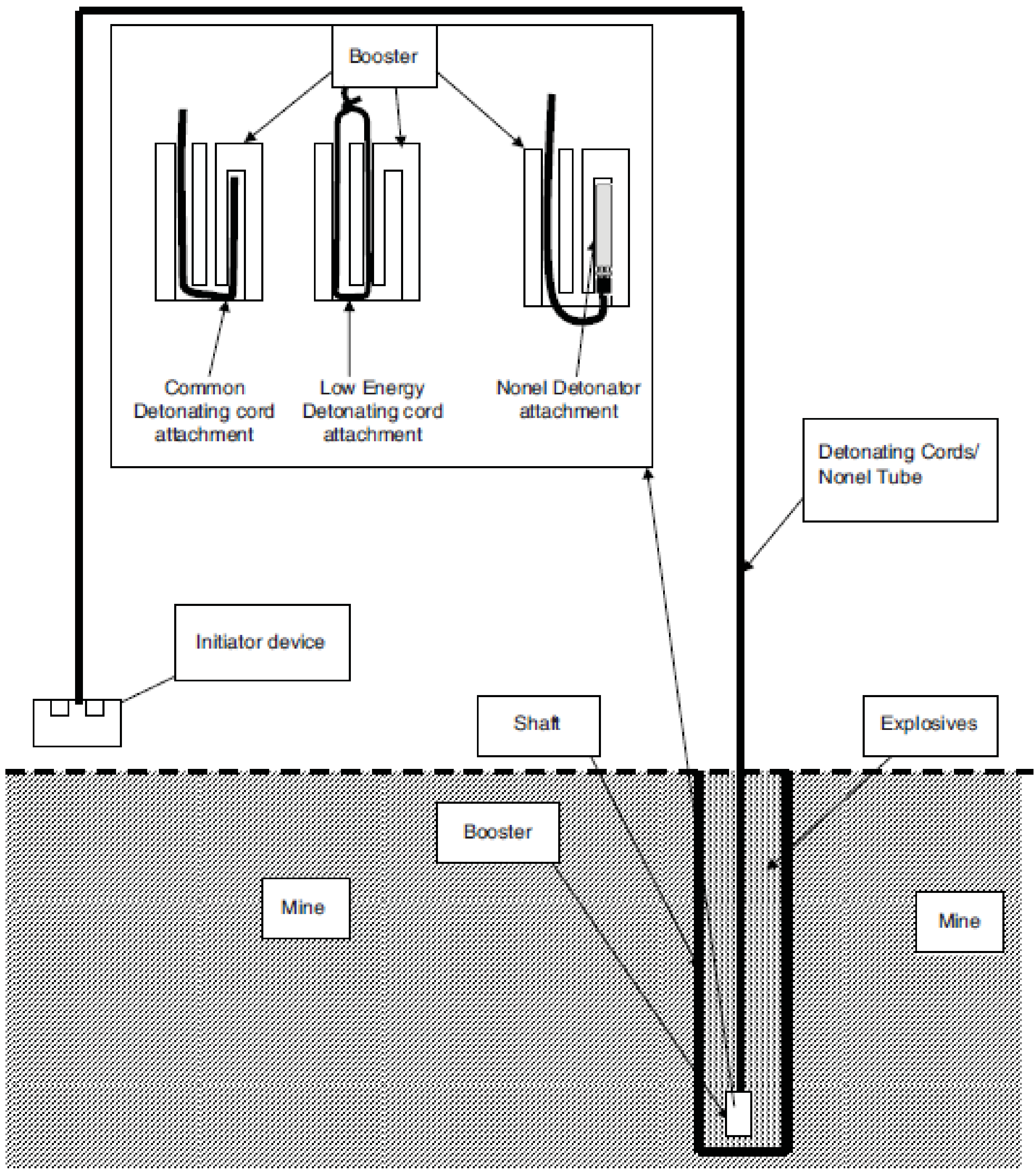
*Explosive Devices*
Booster 起爆具

*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*