Fabchem China Limited

FABCHEM POSTS MARGINAL REVENUE GROWTH IN 3Q2019

- Market conditions in the domestic market continue to be challenging with new safety measures that impact the Group’s sales of industrial fuse and initiating explosive devices
- Overseas sales continue to improve in 3Q2019 with 105.5% growth
- New accounting standards resulted in the allowance of impairment on trade receivables of approximately RMB 3.68 million
- New industry directive on detonators that may likely affect non-electric detonators which is one of the Group’s key product segments

(RMB’ million)	*3Q2019*	*3Q2018*	*Change (%)*	*9M2019*	*9M2018*	*Change (%)*
Revenue	**42.33**	**41.23**	**+2.7**	**128.27**	**138.30**	**(7.3)**
Gross Profit	**9.84**	**5.88**	**+67.3**	**24.71**	**27.60**	**(10.5)**
Loss net of tax	**(9.64)**	**(9.35)**	**+3.0**	**(19.10)**	**(14.66)**	**+30.2**
EBITDA(3)	**(3.49)**	**(3.45)**	**+1.2**	**(0.17)**	**2.95**	**N.M.**

(RMB Cents)	As at 31 Dec 18	As at 31 Mar 18	*Change (%)*	
NAV per share(2)	**691.28**	**746.43**	**(7.4)**	

(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
(4) N.M – Not Meaningful

Singapore, 14 February 2019 – 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 (“3Q2019”) and nine-month period (“9M2019”) for the financial year ending 31 March 2019.

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 3Q2019 and 9M2019 Results

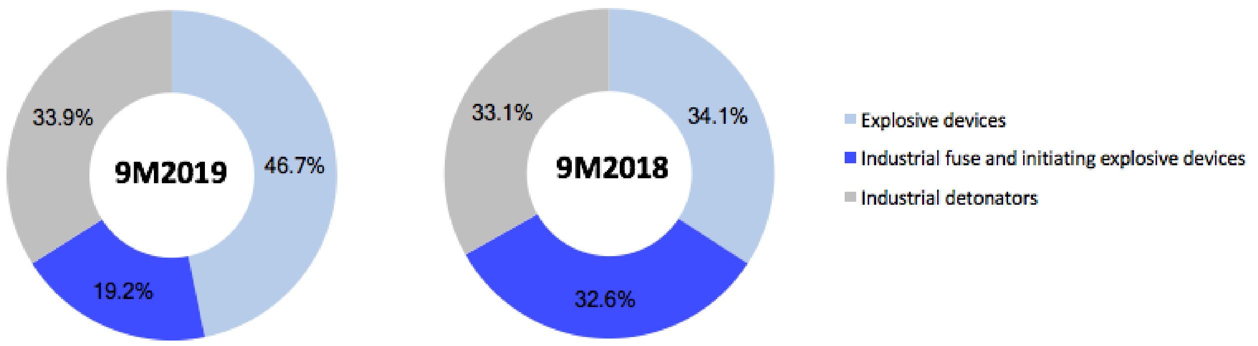
The Group has three main product segments (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; and (c) industrial detonators such as non-electric detonators and piston non-electric detonators.

For 3Q2019, the Group's registered higher sales of boosters with a growth of 46.5% but due to new safety measures introduced for mining activities in the Shandong province, the Group's sales of industrial fuse and initiating explosive devices declined 48.0% and as a result, the Group's overall revenue increased marginally by 2.7% to approximately RMB 42.3 million.

And in 9M2019, the impact of these new safety measures resulted in overall revenue dipping 7.3% to approximately RMB 128.3 million.

With two automated booster production lines in operation during 9M2019, the Group's sales of boosters has continued to increase progressively to RMB 59.9 million in 9M2019, delivering growth of 27.2%.

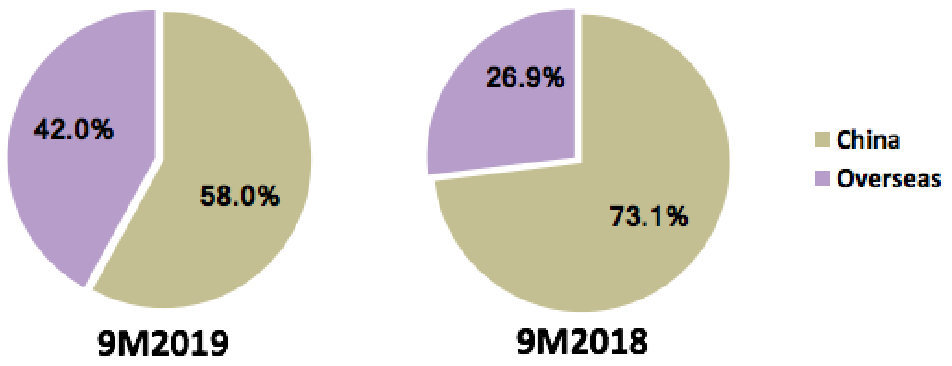
Revenue Breakdown (by Product Segment)



On the geographical front, the growth in overseas sales continue to outperform domestic sales. Particularly, with the commencement of its automated boosters production, sales to Australia increased 71.3% to approximately RMB 17.2 million in 3Q2019.

On a consolidated basis, overseas sales increased 105.5% to approximately RMB 20.7 million in 3Q2019 while overseas sales increased 45.2% to approximately RMB 53.9 million in 9M2019.

Revenue Breakdown (by Geographical Segment)



The Group's gross profit margin improved to 23.3% from 14.3% in 3Q2019 mainly due to higher average selling prices for its products. However, during 9M2019, the Group's gross profit margin declined marginally from 20.0% to 19.3%.

Corresponding to higher sales activities in overseas markets during 9M2019, the Group incurred higher distribution expenses as well as higher freight and port changes. However, administrative expenses for 9M2019 remained relatively unchanged as compared to 9M2018.

The Group has adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") and all the new and revised standards and Interpretations of SFRS(I) that are relevant to its operations. As a result, the Group posted an allowance for impairment on trade receivables of approximately RMB 3.7 million for 3Q2019. An allowance on trade receivables of approximately RMB 6.8 million was adjusted to opening retained earnings as at 1 April 2018 in accordance to SFRS(I) 9.

Overall, the Group registered a net loss of approximately RMB 9.6 million in 3Q2019 and on a cumulative basis, the Group registered a net loss of approximately RMB 19.1 million in 9M2019.

Commenting on the 9M2019 results, Mr Bao Hongwei ("鲍红伟"), Fabchem's Managing Director, said, *"Over the past few quarters, further safety directives have affected our customers' activities which have led to a significant drop in demand for one of the Group's key product segments.*

These macro factors have taken a heavy toll on our financial performance and will continue to exert pressure on us in the foreseeable future. Unfortunately, these factors have neutralised the progress and contribution from the enhancement of our boosters' manufacturing facilities."

Healthy Balance Sheet

The Group has built up a healthy balance sheet foundation over the years and as at 31 December 2018, the Group's shareholders' equity stood at approximately RMB 323.5 million with a liquidity position of approximately RMB 88.4 million in cash and cash equivalents, while gearing stood at 0.12x.

Other components of the Group's current assets include trade receivables, inventories and other assets, which stood at approximately RMB 35.0 million, RMB 25.0 million and RMB 14.0 million respectively, as at the end of December 2018.

The Group's non-current assets stood at approximately RMB 320.1 million as at 31 December 2018, of which the Group's property, plant and equipment stood at approximately RMB 223.9 million.

Overall, total asset amounted to approximately RMB 484.7 million while net asset value per share stood at RMB 691.28 cents as at 31 December 2018.

As at the end of December 2018, the Group's total liabilities stood at approximately RMB 161.1 million, of which the major components are trade and other payables of approximately RMB 74.6 million and other current financial liabilities of approximately RMB 58.0 million.

Industry Updates

Recently, the commercial explosives governing authority in China issued a directive recommending the new industry roadmap for detonators. In the directive, it was highlighted that all manufacturing and usage of detonators should be changed to digital electronic detonators for a higher level of safety standards as well as environmental reasons.

As the Group only manufactures non-electric detonators currently, the management has started feasibility studies into the manufacturing of digital electronic detonators.

The management is of the view that the new industry directive from the Chinese authority will have a significant impact to the commercial explosives industry and the associated detonator manufacturers in the near term. Hence, it may also result in the potential impairment of the Group's current non-electric detonators' property, plant and equipment as it may not be compatible for the manufacturing of digital electronic detonators.

At the same time, due to lower demand for detonating cords over the past few quarters, the management is currently assessing the situation and the potential impairment impact on our detonating cords' property, plant and equipment.
Moving forward, the Group will continue to timely update shareholders if there are any other material developments as well as macro industry trends.

– END –

This document is to be read in conjunction with Fabchem's exchange filings on 14 February 2019, which can be downloaded via www.sgx.com.

Issued for and on behalf of Fabchem China Limited

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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

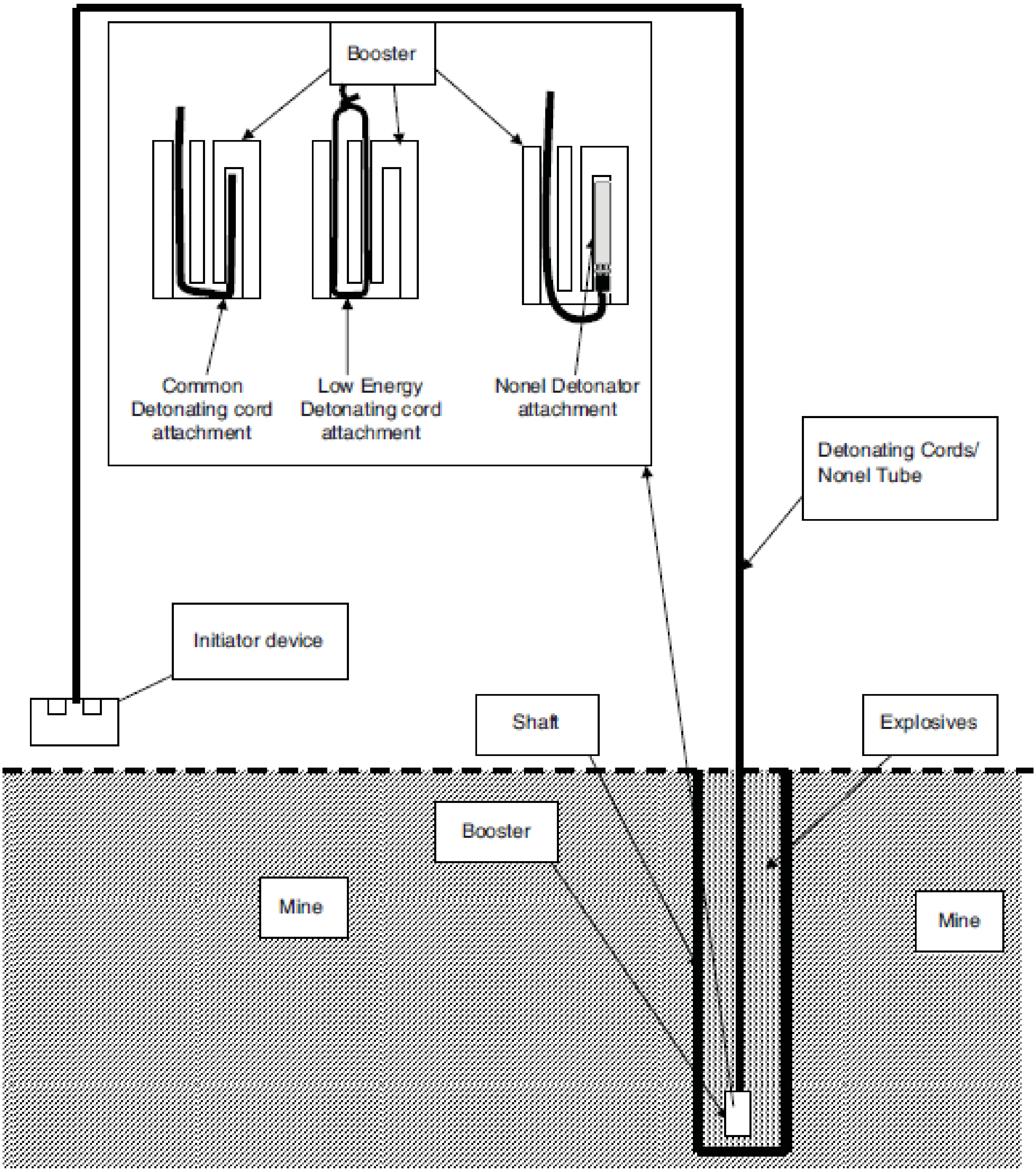
Detonating Cord	导爆索
Non-Electric Tube	导爆管

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