

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 2016

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 2016 released on 5 August 2016, and wishes to provide the following clarification:

SGX Query:

- (1) On Page 9 of the "Financial Statements and Related Announcement: First Quarter Results" dated 5 August 2016 (the "1Q Results Announcement"), it was disclosed that "Other losses for 1Q2017 include loss on disposal of property, plant & equipment of approximately RMB 1.1 million..." and "Loss on disposal of property, plant & equipment relates to the disposal of certain motor vehicles and equipment that are no longer in use." Please disclose:
- (a) a breakdown of these "certain motor vehicles and equipment", showing when they were acquired and explanations as to why they are "no longer in use";
 - (b) to whom the motor vehicles and equipment were disposed to and how the terms/consideration of the disposal determined; and
 - (c) what steps the Board took to ensure that market prices were obtained for these disposals.

Company's response:

Property, plant and equipment disposed	Years of acquisition (a)	Reasons for disposal (a)	Acquirers (b)	Terms/ Consideration of disposal determined (b)	Gain/ (Loss) on disposal (RMB'000)
Motor Vehicles	Years 2007 to 2015	Reduced in motor vehicles held by the subsidiary, Shandong Yinguang Technology Co., Ltd as part of cost-cutting measure	Non-related third parties and employees*	Terms and consideration determined based on market prices and on an arms-length basis	7
Equipment	Year 2000 and 2009	Asset of subsidiary, Hebei Yinguang Chemical Co., Ltd whom had ceased manufacturing since FY2016 due to poor economic condition	Non-related third party	Terms and consideration determined based on market prices and on an arms-length basis	(1,123)
Loss on disposal disclosed in 1Q2017 Results Announcement					(1,116)

* Employees are not director or related to any director of Fabchem China Limited and/or its subsidiaries

- (c) The management determined the consideration by comparing market prices and on an arms-length basis. The board is satisfied with the basis used by the management in determining the terms and consideration.

SGX Query:

- (2) On Page 10 of the 1Q Results Announcement, it was disclosed that "...trade and other receivables increased marginally by approximately RMB 2.5 million or 4.1% to RMB 62.8 million as at 30 June 2016." Please provide:
- (a) a breakdown of the trade and other receivables;
 - (b) an aging schedule for the trade and other receivables; and
 - (c) reasons for the significant amount of receivables, exceeding the 1Q2017 revenue of RMB 32.5 million.

Company's response:

- (a) As disclosed under Note 1 on Page 3 of the 1Q2017 Results Announcement:

Note 1	Group		Company	
	30 June 2016	31 March 2016	30 June 2016	31 March 2016
Trade receivables	55,097	54,955	-	-
Amount receivable from subsidiary	-	-	7,700	9,034
Tax recoverable	3,824	3,832	-	-
Other receivables	3,896	1,533	-	-
Trade and other receivables	62,817	60,320	7,700	9,034

- (b) Aging Schedule for trade and other receivables (excluding tax recoverable*) as at 30 June 2016

RMB'000	Total	Debts < 90 days	90 days < Debts < 180 days	180 days < Debts < 1 year	Debts > 1 year
Trade receivables	55,097	29,546	5,733	12,682	7,136
Other receivables	3,896	3,720	10	104	62

* Aging for tax recoverable is not meaningful.

- (c) As at 30 June 2016, the trade and other receivables of RMB 62.8 million was more than the 1Q2017's revenue of RMB 32.5 million as a portion of the debts were more than 90 days, i.e. outstanding debts from revenue made in earlier quarters.

The management and board review the trade receivables on a periodic basis and will make any allowance for impairment on trade receivables based on the management's assessment on the individual trade receivable, in accordance to Singapore Financial Reporting Standards.

By Order of the Board
Fabchem China Limited

Dr Lim Seck Yeow
Non-Executive Chairman

Date: 17 August 2016