



Fabchem China Limited

IMPAIRMENT FURTHER IMPACTS FABCHEM'S FY2019 RESULTS

- Revenue in FY2019 dipped 19.3% to approximately RMB 154.4 million with lower sales registered across all product segments
- Impairment on property, plant and equipment of approximately RMB 119.0 million after an impairment assessment to ensure that the Group's balance sheet reflects the recoverable value of the assets
- Net cash from operating activities was approximately RMB 12.1 million during FY2019 with cash and cash equivalents of approximately RMB 83.2 million as at 31 March 2019
- Completion of the third automated boosters production line will likely to be delayed until 1 October 2019

<i>(RMB' million)</i>	<i>FY2019</i>	<i>FY2018</i>	<i>Change (%)</i>
Revenue	154.4	191.3	(19.3)
Gross Profit	28.6	35.9	(20.4)
Loss after tax	(150.4)	(19.8)	N.M.
EPS⁽¹⁾ (RMB Cents)	(321.31)	(42.37)	N.M.
EBITDA⁽²⁾	(3.6)	2.3	N.M.

(1) Based on weighted average number of 46.8 million shares

(2) EBITDA – Earnings before Interest, Tax, Depreciation, Amortisation and Impairment on property, plant and equipment

N.M. – Not Meaningful

Singapore, 30 May 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 full year ended 31 March 2019 (“FY2019”).

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 FY2019 Results

The Group continue to operate in a challenging market environment during FY2019 amid lower economic growth in China that led to reduced mining activities; new regulatory directives that temporarily affected the Group's production activities; and new safety measures that impact the demand of detonating cords from its customers.

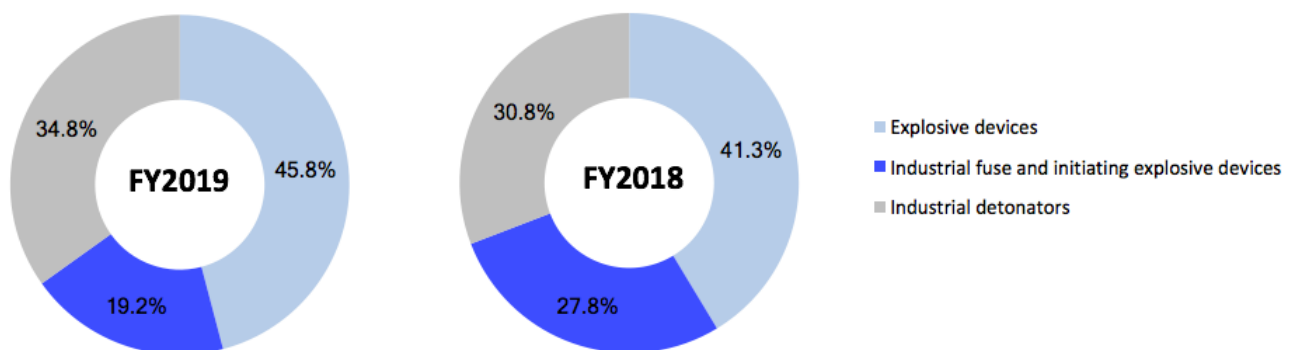


The Group has three main product segments (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; and (c) industrial detonators such as non-electric detonators and piston non-electric detonators.

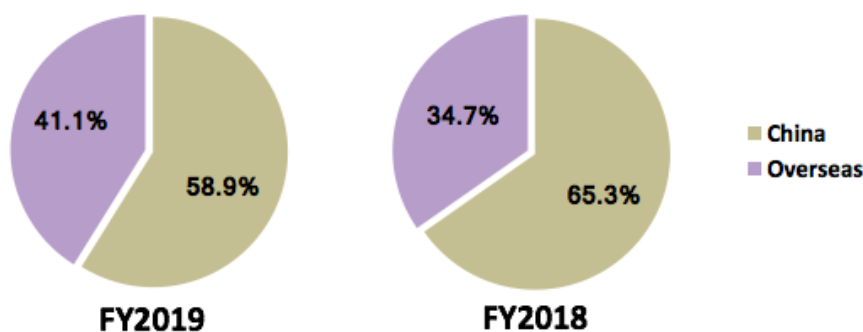
Particularly, sales in the domestic market reduced 27.1% to approximately RMB 90.9 million in FY2019 with sales of industrial fuse and initiating explosive devices declining 44.4% to RMB 29.6 million as some of its customers' mining operations were affected by additional safety measures that restricted the use of detonating cords for mining activities since the second quarter of FY2018.

In addition, sales of explosives devices and industrial detonators during FY2019 reduced by 10.4% to approximately RMB 70.8 million and 8.8% to approximately RMB 53.7 million respectively as the Group had to temporarily cease production activities for about 10 days during June 2018 due to the Chinese authorities' issuance of a temporary cease production directive to commercial explosive manufacturers in the Shandong province in relation to The Shanghai Cooperation Organisation meeting in Qingdao that took place in June 2018.

Revenue Breakdown



The Group's sales to overseas markets dipped marginally by 4.5% to approximately RMB 63.5 million in FY2019 as sales to Australia decreased 23.0% to approximately RMB 44.0 million due to lower number of scheduled shipments of boosters to customers in Australia.



As the Group's production activities were affected during FY2019 that resulted in lower production volume across all its product ranges, the Group's gross profit margin dipped marginally from 18.8% to 18.5% in FY2019.

The Group's distribution expenses decreased 2.4% to approximately RMB 20.8 million in FY2019. However, administrative expenses increased marginally by 4.7% to approximately RMB 32.2 million in FY2019 due to increased depreciation expenses and research and development expenses.

Notably in FY2019, given the challenging market conditions, the Group undertook an impairment assessment of each of its production lines as a cash-generating unit and after the review, an impairment allowance on property, plant and equipment of approximately RMB 119.0 million was made to ensure that the Group's balance sheet reflects the recoverable value of the assets.

Overall, the Group registered a loss after tax of approximately RMB 150.4 million in FY2019.

Mr Bao Hongwei (“鲍红伟”), Fabchem's Managing Director, said, “While recognising the importance to invest in innovation and new technologies for our specialised product offerings, we continue to adapt our operations to the challenging market conditions during past 12 months.

At the same time, we have reviewed our business activities for operational efficiency and to ensure that the Group's balance sheet reflects the recoverable value of the assets, hence our financial results in FY2019 reflected the impact of the impairment allowance of RMB 119.0 million.”

Balance Sheet Highlights

While confronting various challenges over the past few years, the Group continue to focus on fortifying our financial foundation.

And as at 31 March 2019, the Group's total assets stood at approximately RMB 333.0 million with a gearing of 0.17x, while cash and cash equivalent position stood at approximately RMB 83.2 million.

The Group's trade receivables, another major component of current assets, stood at approximately RMB 29.3 million as at the end of March 2019.

As at 31 March 2019, shareholders' equity stood at approximately RMB 192.2 million and net asset value per share stood at RMB 410.76 cents per share.

Corporate Updates

Previously, the Group announced that the design of its third automated boosters production line has started and in its 3Q2019 announcement, it was mentioned that this new booster production line was expected to be completed by 30 June 2019. However, due to teething issues related to the fabrication process of the boosters machineries, the Group's third automated boosters production line will likely be delayed until 1 October 2019.

Separately, since the second quarter of FY2018, the Group's sales of industrial fuse and initiating explosive devices, in particular detonating cords, had decreased significantly due to additional safety measures implemented by the local authorities that restricted the use of detonating cords for mining activities in some of our customers' sites. While the Group has taken a proactive approach to target other sales channels to increase the sales of this product segment, it is foreseeable that the lower market demand for detonating cords will continue to persist in the coming quarters.

Moving forward, the Group will continue to timely update shareholders on the progress of its growth plans and macro industry trends.

– END –

This document is to be read in conjunction with Fabchem's exchange filings on 30 May 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.

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

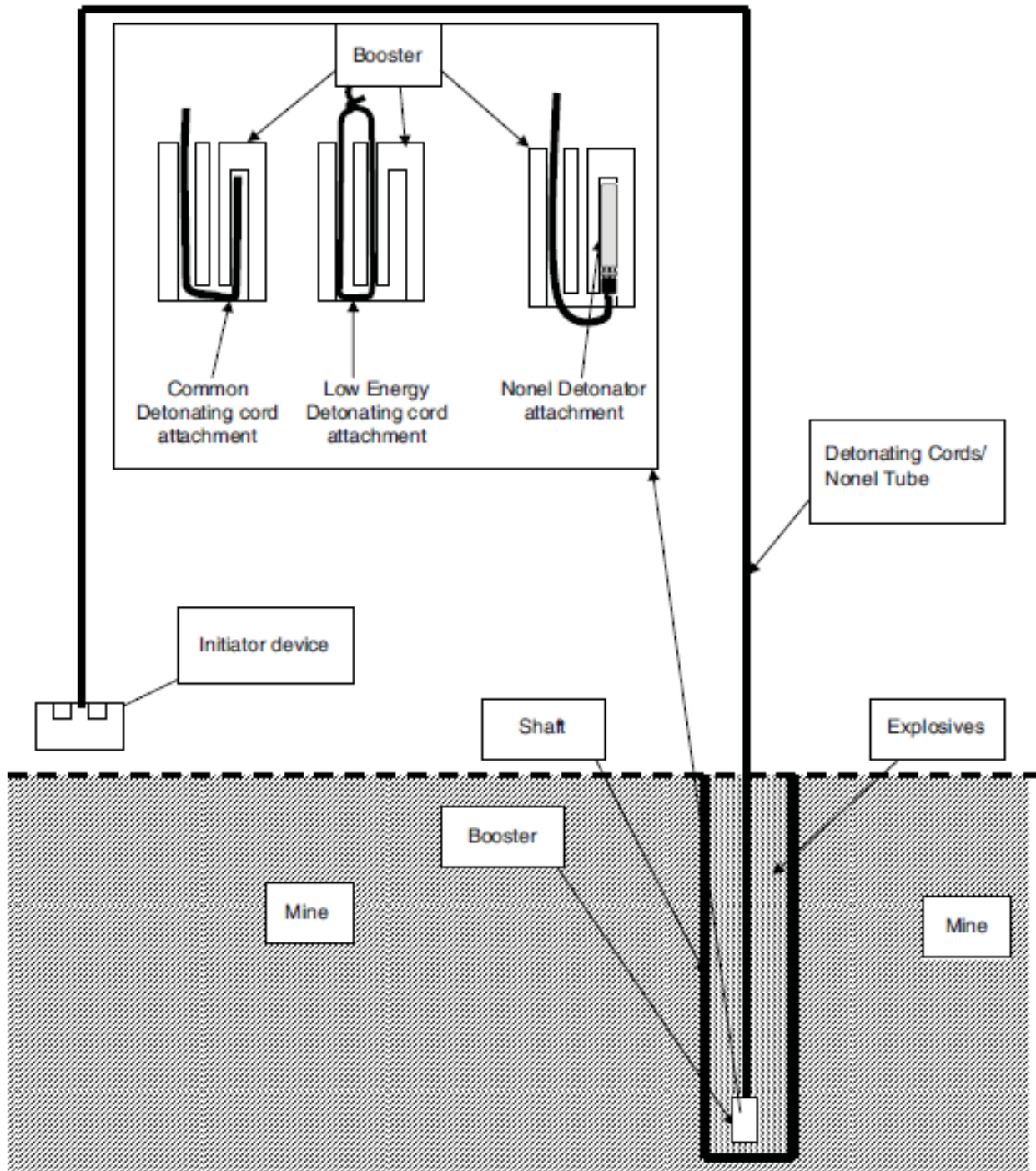
Non-Electric Tube 导爆管

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