

**FABCHEM CHINA LIMITED**

Company Registration No. 200413128G

(Incorporated in the Republic of Singapore)

TERM SHEET IN RELATION TO THE PROPOSED ACQUISITION OF SHARES IN THE ISSUED AND PAID-UP SHARE CAPITAL OF RENEWABLE POWER MANAGEMENT PTY LTD

1. INTRODUCTION

- 1.1 The board of directors ("**Board**" or "**Directors**") of Fabchem China Limited ("**Company**", and together with its subsidiaries, the "**Group**") wishes to inform shareholders of the Company ("**Shareholders**") that the Company, has on 12 October 2020 entered into a non-binding term sheet ("**Term Sheet**") with Valiant Investments Limited, GCAP Australia Investments Pty Ltd and Gazelle Capital Pte Ltd (collectively the "**Vendors**" and each a "**Vendor**") (the Company and the Vendors collectively referred to as the "**Parties**") to acquire not less than 71.26% of the shares ("**Target Shares**") in the entire issued and paid-up share capital of Renewable Power Management Pty Ltd ("**Target**", and together with all its subsidiaries and associated companies (or equivalent entities and legal personalities under Australian law) and all of their respective properties, assets, receivables, businesses, undertakings, operations, goodwill, stock-in-trade, rights and entitlements (whether under contract, trusts or otherwise) and relationships with customers, suppliers, employees, agents and others having relationships with any of them, the "**Target Group**") ("**Proposed Acquisition**").
- 1.2 The Proposed Acquisition, if undertaken and completed, is expected to result in a "reverse takeover" of the Company as defined under Chapter 10 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and is subject to, *inter alia*, receipt of the Whitewash Waiver (as defined below), approval of SGX-ST and approval of the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting to be convened ("**EGM**") including Shareholders' approval of the Whitewash Resolution (as defined below)..
- 1.3 Under the terms of the Proposed Acquisition, the Company will seek to transfer the listing and quotation of its shares from the Mainboard of the SGX-ST to the Catalist board of the SGX-ST ("**Catalist**"), subject to the required approvals ("**Proposed Transfer to Catalist**"). In connection with the aforesaid, the Company will appoint a Catalist Sponsor as the financial adviser for the Proposed Acquisition ("**Sponsor**").
- 1.4 Save for provisions relating to "*Confidentiality and Non-Disclosure*", "*Exclusivity and Standstill*", "*Costs and Expenses*" and "*Governing Law and Jurisdiction*" as set out in the Term Sheet, which shall be legally binding, the terms set out in the Term Sheet are subject to contract and non-binding, and there is no obligation on any Party until all Parties' execution of the definitive agreements in relation to the Proposed Acquisition ("**Definitive Agreements**").

2. INFORMATION ON THE TARGET AND VENDORS

- 2.1 **Target and Business.** The Target was originally incorporated in Australia on 24 November 1986 and currently owns and operates a biomass cogeneration power plant in Woongoolba, Queensland, Australia, approximately 50 km south of Brisbane ("**Biomass Plant**"). The Biomass Plant has a rated capacity of 30 MW and is accredited with the Australian Clean Energy Regulator. The Target is currently solely in the business of power generation and the sales of electricity and carbon emission certificates. Its revenue stream comprises sale of electricity to the national grid, sale of Large-Scale Generation Certificates and sale of electricity and steam to the sugar mill from which the Biomass Plant receives part of its supply of feedstock in the form of sugar cane fibres or bagasse ("**Business**").
- 2.2 **Vendors.** The Vendors are investment holding companies representing the majority investors that acquired the Target in 2012 to acquire the Biomass Plant, which was originally commissioned and built by the Government of Queensland in 2001 and subsequently sold to private investors in 2011.

3. RATIONALE

- 3.1 The acquisition of the Target represents a good opportunity for the Group to expand and diversify its businesses and operations, with a view to achieving more consistent and sustainable financial growth.
- 3.2 Operating in a highly regulated industry, the Company's sole operating subsidiary, Shandong Yinguang Technology Co., Ltd (山东银光科技有限公司) ("**Yinguang Technology**") has been affected by new government regulations restricting the production and sales of its commercial explosive products over the past few years, particularly in the product segment of detonating cords and detonators. In addition, the temporary shortage of explosives raw materials has also affected Yinguang Technology's production schedule and production capacity for the past quarters. As a result, the operating environment for Yinguang Technology has been very challenging and this has affected the Group's overall business performance.
- 3.3 As the Group's current business and operations continue to face headwinds in an increasingly challenging environment, the Proposed Acquisition represents a major step for the Group to diversify and enter the renewable energy business that is expected to provide a more regular and growing revenue stream.
- 3.4 Following the issuance of the Consideration Shares and Arranger Shares (both as defined below) and such other new ordinary shares in the capital of the Company as maybe required, the Company's market capitalisation is expected to increase substantially, and this will potentially widen the investor base and lead to an overall increase in investors' interest and trading of the shares of the Company.

4. SALIENT TERMS OF THE PROPOSED ACQUISITION

Subject to the entering of the Definitive Agreements, the principal terms of the Term Sheet are as follows:

- 4.1 **Proposed Acquisition.** The Company shall, at the completion of the Proposed Acquisition ("**Completion**"), acquire not less than 71.26% of the shares in the Target from the Vendors for the aggregate Purchase Consideration (as defined below). The Vendors shall endeavour to procure that the other shareholders of the Target also sell their respective shares in the Target to the Company on the same terms as the Vendors under the Term Sheet.
- 4.2 **Independent Valuation.** Pursuant to Rule 1015(2) of the Listing Manual, the Company will commission an independent valuation of the Target Group with the Business by a reputable, competent and independent valuer ("**Appraised Value**").
- 4.3 **Purchase Consideration.** The purchase consideration is expected to be SGD22.0 million for 71.26% of the Target or SGD30.0 million for 100% of the Target, arrived at on a willing-buyer willing-seller basis following arm's length negotiations, subject to necessary adjustments as agreed by the Parties to take into consideration the Appraised Value, or such amount that may be agreed to by the Parties. The Purchase Consideration shall be satisfied in full by the issue and allotment of new ordinary shares in the equity capital of the Company to the Vendors in proportion to their existing shareholding interests in the Target, at the Issue Price (as defined below) ("**Consideration Shares**").
- 4.4 **Issue Price.** The Issue Price will be such price per Consideration Share (post-Proposed Consolidation (as defined below), as the case may be) as may be agreed by the Parties in consultation with the Sponsor and set out in the Definitive Agreements, not being less than the minimum price of SGD0.20 prescribed under the Listing Manual of the SGX-ST Section B: Rules of Catalist ("**Catalist Rules**").
- 4.5 **Other Principal Terms.**
- (a) The Company will procure the disposal of its subsidiary Yinguang Technology for a consideration of between SGD15.0 million and SGD20.0 million, payable in cash to the Company. Such disposal, being a potential interested person transaction ("**Proposed IPT Disposal**") will be subject to (i.) an independent business valuation of Yinguang Technology, (ii.) an unqualified opinion by the independent financial adviser to the Company's independent directors ("**IFA**") that the Proposed IPT Disposal is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders, (iii.) the approval of the SGX-ST, and (iv.) approval of the Shareholders at the EGM;

- (b) Upon completion of the Proposed IPT Disposal and prior to Completion, the Company will make a cash distribution of all the proceeds of the IPT Disposal less SGD1.0 million to be set aside by the Company for the purposes set out in paragraph 4.5(c) below, by way of capital reduction under the Companies Act (Cap 50) of Singapore and subject to compliance therewith, to distribute the balance of the proceeds of the Proposed IPT Disposal, *pro-rata*, to all the existing Shareholders (ie., for the avoidance of doubt, before the Vendors, Arrangers and others become Shareholders ("**Proposed Capital Reduction**"));
 - (c) Out of the proceeds from the Proposed IPT Disposal, the Company will, subject to completion of the Proposed IPT Disposal, set aside a sum of SGD1.0 million in cash at bank to meet the Company's costs, expenses and professional fees of the Proposed Acquisition and working capital requirements;
 - (d) The Vendors shall use their best endeavours to procure that all the other shareholders of the Target also sell their respective shares in the Target to the Company on the same terms as the Vendors under the Term Sheet;
 - (e) The valuation of the Company is SGD10.0 million, being the value ascribed to the Company subsequent to the Proposed IPT Disposal;
 - (f) The Company will procure that Wee Henry ("**Mr Wee**") and Sun Bowen ("**Mr Sun**"), being the existing beneficial controlling Shareholders of the Company, furnish written undertakings to maintain and not dispose of their existing shares in the Company until the conclusion of the EGM and to vote under their entire voting rights in favour of the Proposed Acquisition and other transactions contemplated under the Term Sheet and in the Definitive Agreements, save for such abstention by them and their associates as may be required under the Listing Manual or SGX-ST;
 - (g) The Company will procure, subject to Completion, (i.) the change of its name to such name as the Vendors may select ("**Proposed Change of Name**"), (ii.) the retirement of its existing Board of directors, and (iii.) the appointment of the Vendors' nominees and one (1) non-executive nominee of Wee Henry and Sun Bowen for so long as either of them retain an interest of at least 5% of the Company's entire enlarged share capital and for a minimum period of twelve (12) months from Completion, to the Board, subject to their qualification under the Companies Act (Cap 50) of Singapore and clearance by the Sponsor ("**Proposed Appointment of New Directors**");
 - (h) The Company will, as may be required and in consultation with the Sponsor, carry out a share consolidation in order to meet the minimum Issue Price requirement ("**Proposed Share Consolidation**");
 - (i) The Vendors will bear all relevant stamp duties (if any) payable under or in connection with the transfer of the Target Shares to the Company pursuant to the Proposed Acquisition, and
 - (i) An arranger fee shall be payable to the arrangers ("**Arrangers**") as follows: SGD1.12 million to Mr Tan Chun Wei, Shaun and SGD880,000 to Mdm Tek Geok Lan and fully satisfied through the issue and allotment of new ordinary shares in the equity capital of the Company, at the Issue Price ("**Arranger Shares**"). The Arrangers are not existing Shareholders and are unrelated to the Vendors, the Target Group, the Group, Mr Wee and/or Mr Sun.
- 4.6 **Compliance Placement.** In connection with the Proposed Acquisition and pursuant to the Proposed Transfer to Catalist, the Company may be required to issue new shares and/or procure the sale of existing shares ("**Sale Shares**") to satisfy the minimum distribution and shareholding spread requirements of 15% of the enlarged share capital to be held by 200 public shareholders, pursuant to the Catalist Rules ("**Compliance Placement**"). The issue price for the Compliance Placement shares shall not be less than the Issue Price. The number of Sale Shares to be sold to satisfy the Compliance Placement shall be subject to agreement between the Parties and the Sponsor.
- 4.7 **Moratorium.** The Vendors shall provide written undertakings to maintain and not dispose of their Consideration Shares upon completion of the Proposed Acquisition (or Compliance Placement, as the case may be) for such period as prescribed under the Catalist Rules or required by the SGX-ST.
- 4.8 **Completion Date.** Completion shall take place no later than 6 months from the date of execution of the Definitive Agreements ("**Completion Date**"), or such other dates as may be agreed to in writing by the Parties, failing which the Proposed Acquisition and Definitive Agreements shall lapse and

cease to have further effect and no Party shall have any claim against the other Parties, save for antecedent breaches.

4.9 **Conditions Precedent.** Completion shall be subject to the fulfilment and satisfaction of all the conditions precedent set out below and such other conditions precedent as may be set out in the Definitive Agreements, on or before the Completion Date:

- (a) (i.) The results of such legal, financial, technical, commercial and relevant due diligence investigations on the Target Group and Business conducted by the Company and its advisers or representatives being satisfactory to the Company, and (ii.) the Target Group with the Business being assessed suitable for listing on Catalist by the Sponsor;
- (b) The Target Shares being legally and beneficially owned by all the Vendors and the Vendors not holding their interests therein on trust for other parties;
- (c) The Target Shares being free from encumbrances and other security interests and not subject to any rights of pre-emption whether under contract or the Target's constitutive documents or otherwise;
- (d) Save as contemplated by the transactions proposed in the Term Sheet, there being no capitalisation activities (including but not limited to share split, sub-division, consolidation, buy-back, cancellation, re-classification or capital reduction), re-organisation, amalgamation, restructuring, take-over or change in shareholding or share capital structure of the Target or any of its subsidiaries and associated companies (or equivalent entities and legal personalities under Australian law), nor issue of new shares or interests or other securities or convertible debt or securities convertible into shares or interests in relation to such company or entity, nor any insolvency or bankruptcy events affecting such company or entity and/or any Vendor;
- (e) All necessary approvals, consents, licences, permits, authorisations and/or registrations from/with all relevant government, regulatory and other authorities, financiers, counterparties and/or entitled third parties (if any) as may be required for the Proposed Acquisition having been obtained and being in full force and effect without restrictions or limitations unacceptable to the Company, including the approval (and non-withdrawal thereof) from:
 - (i.) SGX-ST for, *inter alia*, the Proposed IPT Disposal, Proposed Acquisition, Proposed Transfer to Catalist, Proposed Share Consolidation and for the listing and quotation of the Consideration Shares and Arranger Shares on Catalist; and
 - (ii.) Securities Industry Council ("**SIC**") for the waiver from the requirement of a mandatory take-over offer by the Vendors ("**Whitewash Waiver**") and for the Proposed IPT Disposal (as may be required);
- (f) An unqualified opinion by the IFA:
 - (i.) that the Proposed IPT Disposal is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders, and
 - (ii.) that the Proposed Acquisition which is the subject of the Whitewash Resolution waiving the requirement of a mandatory take-over offer by the Vendors ("**Whitewash Resolution**"), is fair and reasonable and that the independent Shareholders vote in favour of the Whitewash Resolution;
- (g) A materially unqualified legal opinion by legal advisers to the Company on Australian law that the Target and Business, are in compliance with the laws and regulations of Australia;
- (h) Approval of the directors and shareholders of the Vendors for the disposal of the Target (with the Business) to the Company;
- (i) Approval of the Shareholders at the EGM for, *inter alia*, the Proposed IPT Disposal, Proposed Capital Reduction, Proposed Acquisition (including for the issue and allotment of the Consideration Shares and Arranger Shares), the Whitewash Resolution, Proposed Transfer to Catalist, Proposed Share Consolidation, Proposed Change of Name, Proposed Appointment of New Directors and such other resolutions as may be required to effect the Proposed Acquisition and the Proposed IPT Disposal;

- (j) Completion of the Proposed IPT Disposal and distribution pursuant to the Proposed Capital Reduction, and
 - (k) Such other conditions precedent customary to transactions such as the Proposed Acquisition to be set out in the Definitive Agreements.
- 4.10 **Representations and Warranties.** The Parties will respectively provide such representations, warranties, undertakings, covenants and indemnities pursuant to the Definitive Agreements, as are customary to transactions such as the Proposed Acquisition.
- 4.11 **Exclusivity and Standstill.**
- (a) Upon the execution of the Term Sheet, the Parties shall, during the period between the date of the Term Sheet and the date falling 90 calendar days thereafter suspend and cease to continue any agreements, arrangements, understandings, negotiations or discussions with any person (other than that envisaged in the Term Sheet) in connection with any transaction, or any matter involving a transaction which would preclude, restrict or delay the transactions mentioned or contemplated in the Term Sheet including the Proposed Acquisition, or which is similar to the Proposed Acquisition (“**Restricted Activities**”) and not conduct, resume or solicit Restricted Activities nor approach or entertain enquiries from third parties in relation to such activities, save with the express written consent of the respective other Party.
 - (b) Upon the execution of the Term Sheet, the Vendors shall procure and do all things necessary to cause Target Group to (a.) conduct the Business only in the ordinary course and preserve and maintain the integrity and existence of Target Group and the Business and their respective properties, assets, receivables, businesses, undertakings, operations, goodwill, stock-in-trade, rights and entitlements (whether under contract, trusts or otherwise) and relationships with customers, suppliers, employees, agents and others having relationships with any of them, and (b.) not conduct any capitalisation activities (including but not limited to share split, sub-division, consolidation, buy-back, cancellation, re-classification or capital reduction), re-organisation, amalgamation, restructuring, take-over or change in shareholding or share capital structure, nor issue new shares, interests or other securities or convertible debt or securities convertible into shares or interests, nor cause any insolvency or bankruptcy events affecting such company or entity and/or any Vendor.
- 4.12 **Costs and Expenses.** Save as expressly agreed to in writing, each Party shall bear all their own respective costs and expenses in relation to the drafting, taking of advice on and negotiation of the Term Sheet, the Definitive Agreements, due diligence, professional advice and for seeing through to Completion of the Proposed Acquisition (and Compliance Placement, as the case may be) (“**Costs and Expenses**”). The Parties expressly agree that:
- (a) in the event the Proposed Acquisition is aborted or terminated at any time due to the default of a Party, that Party shall bear the entire Costs and Expenses of the Party not in default, up to the time of the termination provided that where the termination is not attributable to the default of either Party eg. due to market disruption events, each Party will bear their own Costs and Expenses, and
 - (b) where SGX-ST does not approve the Proposed Acquisition for reasons related to or attributable to the Vendors, the Target Group, the Business or its shareholders, directors or management, the Vendors shall bear the entire Costs and Expenses of the Company up to that time.
- 4.13 **Governing Law and Jurisdiction.** The Term Sheet is governed by and construed in accordance with the laws of Singapore. The Parties irrevocably agree to submit to the non-exclusive jurisdiction of the courts of Singapore.

5. SERVICE AGREEMENTS

As at the date of this announcement, the Company has not entered into any service agreement with any person proposed to be appointed as a Director or executive officer in connection with the Proposed Acquisition. It is envisaged that the Company will, on or prior to Completion, enter into service agreements on terms acceptable to the Company and the Vendors. The details of such appointments and service agreements (if any) will be set out in the circular to Shareholders to be despatched in due course for the purposes of the EGM.

6. IFA

The Company will, in due course, appoint the IFA for the purposes of providing an opinion containing a recommendation to the Shareholders in respect of the Proposed IPT Disposal and the Whitewash Resolution.

7. DEFINITIVE AGREEMENTS

The Parties shall act in good faith in all matters contemplated by the Term Sheet, including on discussions and negotiations relating to the Proposed Acquisition, and use their best endeavours to enter into the Definitive Agreements within 90 calendar days from the date of the Term Sheet.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling Shareholders have any interest, direct or indirect, in the Proposed Acquisition, save for their respective interests in the equity shares of the Company as Shareholders (as the case may be).

9. CAUTION IN TRADING

Shareholders are advised to exercise caution in dealing with their shares as there is no certainty or assurance as at the date of this Announcement that the Definitive Agreements will be entered into, the terms and the conditions of the Proposed Acquisition will not differ from that set out in the Term Sheet, or the Proposed Acquisition will be undertaken or completed at all. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements in compliance with the requirements of the Listing Manual, including on the relative figures under Rule 1006 of the Listing Manual and financial effects of the Proposed Acquisition, upon the execution of the Definitive Agreement and/or when there are material developments in respect of the Proposed Acquisition.

11. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Term Sheet, Proposed Acquisition and the Group and the Directors are not aware of any facts, the omission of which, would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source (including information relating to the Vendors, the Target and/or the Business), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

BY ORDER OF THE BOARD

Wee Phui Gam
Lead Independent Director

12 October 2020