

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LINCOTRADE & ASSOCIATES PTE LTD

*In this Announcement, the terms **Proposed Disposal**, **Disposal Consideration**, **Yinguang Technology**, **Triple Vision** and **Proposed Capital Reduction** shall have the meanings defined in the Company's announcement of 19 March 2021 on SGXNET.*

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 22 April 2021 entered into a sale and purchase agreement ("**Agreement**") with Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon (collectively the "**Vendors**" and each a "**Vendor**") (the Company and the Vendors collectively referred to as the "**Parties**") to acquire all the shares representing the entire issued and fully paid-up capital of Lincotrade & Associates Pte Ltd (Company Registration No. 199105725K) ("**Target**") with its registered office at 39 Sungei Kadut Loop, Singapore 729494 ("**Proposed Acquisition**").

Pursuant to the Agreement, the aggregate purchase consideration in respect of the Proposed Acquisition is S\$25.0 million ("**Purchase Consideration**"), to be fully satisfied by the Company at completion of the Proposed Acquisition ("**Completion**") by the allotment and issuance of an aggregate 113,636,363 new ordinary shares in the issued share capital of the Company ("**Shares**"), credited as fully paid-up, to the Vendors ("**Consideration Shares**"), at an issue price of S\$0.22 per Consideration Share ("**Issue Price**"). The principal terms of the Proposed Acquisition are set out in paragraph 4 of this announcement ("**Announcement**").

Pursuant to the terms of the Agreement, the Company will also allot and issue (i.) an aggregate of 5,681,818 new Shares, credited as fully paid-up, at the Issue Price ("**Arranger Shares**") to an unrelated third-party, Prestige Fame Limited ("**Arranger**"), and (ii.) up to 454,545 new Shares, credited as fully-paid up, at the Issue Price ("**Sponsor Shares**") to the Sponsor (as defined below) in part-payment for the Sponsor's professional fees.

The Proposed Acquisition and allotment and issuance of the Consideration Shares, if undertaken and completed, will result in (a) a transfer of a controlling interest in the Company pursuant to Rule 803 of the Listing Manual ("**Listing Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and (b) a reverse takeover ("**RTO**") of the Company pursuant to Rule 1015(1) of the Listing Rules.

In connection with the Proposed Acquisition, the Company will also 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**") pursuant to Rule 410 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), subject to receipt of the required approvals ("**Proposed Transfer to Catalist**").

2. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING RULES

2.1 For the purposes of Chapter 10 of the Listing Rules, the relative figures computed on the bases set out in Rule 1006 of the Listing Rules in respect of the Proposed Acquisition and based on the latest announced unaudited financial statements of the Group for the 6-month period ended 30 September 2020 and the unaudited financial statements of the Target for the 6-month period ended 31 December 2020 are as follows:

1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable to acquisition of assets
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	Not meaningful ⁽¹⁾
1006(c)	Aggregate value of the Purchase Consideration, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	419.7% ⁽²⁾
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	242.8% ⁽³⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable to the Proposed Acquisition

Notes:

- (1) The net profits attributable to the Target for the 6-month period ended 31 December 2020 was approximately S\$1.6 million and the Group's net loss for the 6-month period ended 30 September 2020 was approximately RMB2,716,000 (or approximately S\$546,000 based on the exchange rate of RMB4.9751 to S\$1.00 as at 30 September 2020).
- (2) Based on (i.) the Purchase Consideration of S\$25.0 million to be fully satisfied by the Company by the allotment and issuance of the Consideration Shares. Rule 1003 (3) of the Listing Rules requires that, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. The NAV per Share of the Group of S\$0.65 per Share (based on the latest announced consolidated accounts of the Group as at 30 Sep 2020 of RMB151.9 million or approximately S\$30.5 million) is higher than the volume weighted average price of the Shares of S\$0.376 traded on the SGX-ST on 13 April 2021. Therefore, the calculation of Purchase Consideration for the purpose of Listing Rule 1006(c) shall be based on the NAV per Share multiplied by the Consideration Shares ie. 113,636,363 x S\$0.65 = S\$73,863,636. and (ii.) the Company's entire issued and fully-paid share capital of 46,800,000 Shares and the volume weighted average Share price of S\$0.376 on 13 April 2021, being the last market day on which the Shares were traded on the Mainboard of the SGX-ST preceding the date of the Agreement.
- (3) Based on (i.) the proposed issuance and allotment of 113,636,363 Consideration Shares pursuant to the Proposed Acquisition; and (ii.) the existing fully-paid share capital of 46,800,000 Shares.

2.2 **Transfer of Controlling Interest and RTO.** The Vendors will collectively hold up to approximately 68.22% of the enlarged issued share capital of the Company upon Completion as a result of the allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares ("**Enlarged Share Capital**"). Accordingly, Completion will result in the transfer of controlling interest in the Company pursuant to Rule 803 of the Listing Rules. In addition, as the relative figures under Listing Rules 1006(c) and 1006(d) exceed 100%, the Proposed Acquisition will be deemed an RTO pursuant to Rule 1015(1) of the Listing Rules.

2.3 **Approval of Shareholders.** In view of the foregoing, *inter alia*, the Proposed Acquisition, the allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares and the Proposed Transfer to Catalist will be subject to the approval in principle of the SGX-ST for the listing and quotation of the Consideration Shares, Arranger Shares and Sponsor Shares on Catalist and specific approval of the Shareholders to be obtained at an extraordinary general meeting of the Company ("**EGM**") to be convened in due course, in accordance with Rules 803 and 1015(1)(b) of the Listing Rules and Rule 410(4) of the Catalist Rules.

2.4 **Singapore Code on Take-overs and Mergers (“Code”).** As the Vendors will collectively acquire more than 30% of the enlarged voting rights of Company upon Completion as a result of the allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares, the Proposed Acquisition and allotment and issuance of the Consideration Shares is also subject to:

- (a) the waiver by Securities Industry Council (“SIC”) of the obligation of the Vendors and parties acting in concert with them to make a mandatory take-over offer for all other Shares in existence arising from the allotment and issuance of the Consideration Shares, pursuant to Rule 14 of the Code (“Whitewash Waiver”), and the fulfilment of any such conditions that the SIC may impose which are reasonably acceptable to the Parties, and
- (b) the waiver by a majority of the Independent Shareholders (as defined below) by ordinary resolution on a poll taken, at the EGM, of their right to receive a general offer from the Vendors and parties acting in concert with them for all other Shares in existence, arising from the allotment and issuance of the Consideration Shares to the Vendors, pursuant to Rule 14 of the Code (“Whitewash Resolution”).

3. INFORMATION ON THE TARGET, VENDORS AND ARRANGER

3.1 **Target and Business.** The Target is a private company limited by shares, incorporated on 14 November 1991 in Singapore, with an issued and fully paid-up capital of S\$1.5 million comprising 1,500,000 ordinary shares (“Target Shares”). The Target’s business activities are based in Singapore and involves primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting-out works, and manufacturing of builders’ carpentry and joinery (“Business”). The Target does not have any subsidiary or associated companies.

3.2 **Financial Information of the Target.** A summary of the audited financial statements of the Target for the financial years ended 30 June 2018 (“FY2018”), 30 June 2019 (“FY2019”) and 30 June 2020 (“FY2020”) and the unaudited financial statements of the Target for the financial period ended 30 December 2020 (“HY2021”) prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”), are set out below:

Income Statement

(S\$’000)	Audited FY2018	Audited FY2019	Audited FY 2020	Unaudited HY2021
Revenue	37,588	25,061	19,100	10,574
Gross Profit	5,950	3,873	1,639	2,263
Profit before tax	3,142	1,159	(2,032)	1,622
Income tax (expenses) / refund	(557)	(324)	27	-
Profit/(Loss) for the financial year	2,585	835	(2,005)	1,622

Balance Sheet

(S\$’000)	Audited FY2018	Audited FY2019	Audited FY 2020	Unaudited HY2021
Current assets	11,315	12,463	11,407	16,358
Non-current assets	7,479	4,324	4,346	2,060
Total assets	18,794	16,787	15,753	18,418
Current liabilities	11,817	9,846	11,239	12,284
Non-current liabilities	194	52	30	28
Total liabilities	12,011	9,898	11,269	12,312
Shareholders’ equity	6,783	6,889	4,484	6,106
Total shareholder’s equity and liabilities	18,794	16,787	15,753	18,418

- 3.3 **Vendors.** Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon are directors of the Target who respectively own approximately 40.0%, 40.0% and 20.0% of the Target Shares. As at the date of this Announcement, none of the Vendors hold any Shares and none of the Vendors are related to and/or have any existing business relationship with the Group, Directors, chief executive officer (or its equivalent rank), Controlling Shareholders (as defined in the Listing Rules) of the Company or their respective associates.
- 3.4 **Arranger.** The Vendors were introduced to the Company by the Arranger. The Arranger is a company registered in British Virgin Islands. The sole shareholder and director of the Arranger is Foo Kok Hian (“**Michael Foo**”). Michael Foo is an active investor in the equities market and the private equity space. He also has a wealth of experience in development and management of industrial infrastructure, management of private properties as well as provision of general building works with projects ranging from minor building alteration and addition works to construction of landed properties. The Arranger Shares will be allotted and issued as consideration for the Arranger’s services. The number of Arranger Shares was arrived at after negotiations between the Arranger, Vendors and the Company at arm’s length and took into account, *inter alia*, the services provided by the Arranger, which amongst others, included introducing the Vendors and the Target to the Company, assisting in organising and facilitating the negotiations between the Company and the Vendors in connection with the Proposed Acquisition.

4. **PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

- 4.1 **Sale and Purchase.** Pursuant to the terms and subject to the conditions of the Agreement, each of the Vendors shall sell to the Company and the Company shall purchase from the Vendors, all of the Vendors’ respective Target Shares, in aggregate representing the Target’s entire issued share capital together with all rights, benefits and entitlements attaching or accruing thereto (including, without limitation, the rights to any dividends or other distributions declared or payable thereon) as at Completion, free from all encumbrances, and ranking *pari passu* with all existing shares in the Target, in exchange for the Purchase Consideration.
- 4.2 **Valuation and Purchase Consideration.** Pursuant to Rule 1015(3)(a) of the Listing Rules, the Company will, in consultation with the Sponsor, appoint a competent and independent valuer to conduct a valuation of the Target and the Business (“**Appraised Value**”) in accordance with the International Valuation Standards published by the International Valuation Standards Council, and issue a valuation report on the Appraised Value (“**Valuation Report**”).

The Purchase Consideration for the Proposed Acquisition was determined by agreement between the Parties at arms’ length, on a “willing-buyer, willing seller” basis, and on the basis that the Appraised Value is not less than S\$25.0 million, to be fully satisfied by the Company at Completion by the allotment and issuance of the Consideration Shares to the Vendors in proportion to their equity interest in the Target, at the Issue Price. Shareholders should note that there is no open market for the Target Shares as they are not publicly traded.

The Issue Price of S\$0.22 for each Consideration Share, each Arranger Share and each Sponsor Share represents:

- (a) a discount of approximately 41.3% to the last transacted Share price of S\$0.375 and a discount of approximately 41.5% to the volume weighted average Share price of S\$0.376 on 13 April 2021, being the last market day on which the Shares were traded on the Mainboard of the SGX-ST preceding the date of the Agreement, and
- (b) a discount of approximately 66.7% to the audited net assets value (“**NAV**”) per Share of S\$0.66 as at 31 March 2020 based on the exchange rate of RMB4.979 to S\$1.00 as at 31 March 2020.

Further information relating to the independent valuer to be appointed, together with the Valuation Report, will be included in the Company’s circular to Shareholders for the EGM to be despatched to Shareholders in due course (“**Circular**”).

4.3 **Compliance Placement.** On Completion, it is expected that public shareholders as defined in Rule 406(1) of the Catalist Rules (“**Public Shareholders**”) will hold less than 15% of the Enlarged Share Capital of the Company as a result of the allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares. In that event, the Company will not meet the shareholding spread and distribution requirements set out in the Rule 406(1) of the Catalist Rules. Accordingly, the Parties have agreed that, in connection with the Proposed Acquisition and Proposed Transfer to Catalist, the Company may be required under the Catalist Rules to place out new Shares (“**Compliance Placement Shares**”) to satisfy the minimum distribution and shareholding spread requirements of 15% of the Company’s Enlarged Share Capital to be held by 200 Public Shareholders under Rule 406(1) of the Catalist Rules (“**Compliance Placement**”). The issue price for any new Shares to be allotted and issued pursuant to the Compliance Placement shall not be less than the Issue Price.

4.4 **Shareholding Effects.** It is envisaged that upon Completion, the shareholding structure of the Company will be as follows:

Shareholders	Before the Proposed Acquisition and Compliance Placement		After the Proposed Acquisition and before the Compliance Placement	
	Shares	%	Shares	%
Wee Henry	24,515,699	52.38	24,515,699	14.72
Sun Bowen	15,140,000	32.35	15,140,000	9.09
Tan Jit Meng	-	-	45,454,545	27.29
Soh Loong Chow Jackie	-	-	45,454,545	27.29
Tan Chee Khoon	-	-	22,727,273	13.64
Prestige Fame Limited	-	-	5,681,818	3.41
Sponsor	-	-	454,545	0.27
Public Shareholders	7,144,301	15.27	7,144,301	4.29
Total	46,800,000	100.00	166,572,726	100.00

4.5 **Conditions Precedent.** Completion of the Proposed Acquisition shall be subject to and conditional upon the fulfilment and satisfaction (or waiver in accordance with the terms of the Agreement) of certain conditions precedent (set out in their entirety in the Agreement), which include, *inter alia*, those set out in **Appendix A** to this Announcement. Completion is expected to take place within the time frame prescribed under the Agreement which shall be the date falling ten (10) business days after the satisfaction of the conditions precedent or such other date as the Parties may agree in writing, such date not being later than the first anniversary of the date of the Agreement (unless otherwise extended by agreement of the Parties in writing) (“**Conditions Precedent**”).

4.6 **Other Salient Terms of the Agreement.**

- (a) **Moratorium.** Each Vendor, Arranger, Sponsor and any other party as required by the SGX-ST shall furnish a written undertaking to maintain and not dispose of or transfer their respective Consideration Shares, Arranger Shares, Sponsor Shares and/or new Shares upon Completion (or Compliance Placement, as the case may be) for such period as prescribed under the Catalist Rules or required by the SGX-ST (“**Moratorium Undertakings**”).
- (b) **Service Agreements.** On or prior to Completion, Tan Jit Meng and Soh Loong Chow Jackie will enter into service agreements with the Company on terms acceptable to the Parties and Sponsor, the details of which will be disclosed in the Circular.

- (c) Changes to the Board. Subject to Completion, (i.) the Company shall procure the resignation of all existing Directors from their office as Directors of the Company, (ii.) the Company shall procure the appointment of the Vendors' nominees as directors of the Company subject to their qualification under the Companies Act (Cap 50) of Singapore ("**Act**") and clearance by the Company's Nominating Committee, the Sponsor and where applicable the relevant regulator(s), and (iii.) Wee Henry ("**HW**"), an existing Controlling Shareholder of the Company shall be entitled to nominate and appoint one (1) nominee as a non-executive director of the Company, subject to his qualification under the Act and clearance by the Company's Nominating Committee, the Sponsor and where applicable the relevant regulator(s), for a minimum period of 12 months with effect from Completion Date, and, thereafter, for so long as HW retains a beneficial interest of at least 5% of the Enlarged Share Capital (collectively, "**Proposed Appointment of New Directors**").
- (d) Change of Company's Name. Conditional upon and concurrent with Completion, the Company's name shall be changed to such other name as the Vendors may decide ("**Proposed Change of Name**").
- (e) Proposed Share Consolidation. The Parties agree that, as may be required and in consultation with the Sponsor, the Company shall carry out a share consolidation in order to meet the minimum issue price required under the Catalist Rules ("**Proposed Share Consolidation**").
- (f) Undertakings to Vote in Favour. Unless otherwise agreed to in writing by the Parties, the Company shall procure that its existing Controlling Shareholders furnish written undertakings to maintain and not dispose of their respective Shares until the conclusion of the EGM and to vote under their entire voting rights in favour of the Proposed Acquisition, the Whitewash Resolution and other related proposed transactions which shall include the Proposed Transfer to Catalist, the Proposed Appointment of New Directors, Compliance Placement, Proposed Share Consolidation, the Proposed Change of Name and any other transaction as may be agreed to in writing by the Parties (collectively, "**Related Proposed Transactions**"), save for such abstention by them and their associates as may be required under the Listing Rules, Code or by SGX-ST or SIC ("**Undertakings to Vote in Favour**").
- (g) Representations and Warranties. Pursuant to the Agreement, the Parties have, respectively, furnished representations and warranties typical for transactions such as the Proposed Acquisition ("**Warranties**").

5. RATIONALE FOR THE PROPOSED ACQUISITION

- 5.1 **Proposed Disposal and Proposed Capital Reduction**. On 19 March 2021, the Company announced the Proposed Disposal of Yinguang Technology to Triple Vision, and the Proposed Capital Reduction to return the bulk of the proceeds of the Disposal Consideration to Shareholders via a *pro-rata* cash distribution of S\$0.368 per Share.

Cash Company. Upon the completion of the Proposed Disposal, Yinguang Technology will cease to be a subsidiary of the Company, and the Company will cease to have any operating business upon the completion of the Proposed Disposal and is likely to be deemed as a cash company under Rule 1018(1) of the Listing Rules. Under Rule 1018(2) of the Listing Rules, the SGX-ST will proceed to delist the Company if it is unable to meet the requirements for a new listing within 12 months (with a maximum extension of another 6 months with the approval of the SGX-ST) from the date it becomes a cash company.

Acquisition of New Operating Business. The Board is of the view that the Proposed Acquisition and Proposed Transfer to Catalist is in the best interests of the Company and the Shareholders, as the Proposed Acquisition presents an opportunity for the Company to acquire a new operating business to meet the SGX-ST's requirements of a new listing on Catalist, allowing the Company to maintain its listing status on the SGX-ST.

Upon Completion, the Target will become the Company's wholly-owned subsidiary (collectively, the "**Enlarged Group**").

6. PROFORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 **Bases and Assumptions.** The proforma financial effects of the Proposed Disposal, Proposed Capital Reduction and Proposed Acquisition on the share capital, earnings, net tangible assets (“**NTA**”), net asset value (“**NAV**”) and gearing of the Group have been prepared based on the latest audited consolidated financial results of the Group for the financial year ended 31 March 2020, the latest audited financial information of Yinguang Technology for financial year ended 31 March 2020 and the audited financial information of the Target for the financial year ended 30 June 2020, without any adjustment to align the financial year end of the Group with that of the Target.

The proforma financial effects of the Proposed Disposal, Proposed Capital Reduction and Proposed Acquisition are for illustrative purposes only and do not necessarily reflect the actual future results and financial position of the Group following the completion of the Proposed Disposal, the Proposed Capital Reduction and the Proposed Acquisition.

For the purposes of illustrating the financial effects of the Proposed Disposal, the Proposed Capital Reduction and the Proposed Acquisition, the following key assumptions have been adopted:

- (a) the financial effects on the Group’s earnings/(losses) and earnings/(losses) per Share are computed assuming that the Proposed Disposal and Proposed Capital Reduction was completed on 1 April 2019 and the Proposed Acquisition was completed on 1 April 2019 based on the Target’s 12-month financial results ended 30 June 2020, without any adjustment to align the financial year end of the Group with that of the Target;
- (b) the financial effects on the Group’s NTA, NAV, share capital and gearing are computed assuming that the Proposed Disposal and the Proposed Acquisition was completed on 31 March 2020 and the Proposed Acquisition was completed on 31 March 2020 based on Target’s NTA, NAV, share capital and gearing as at 30 June 2020, without any adjustment to align the financial year end of the Group with that of the Target;
- (c) the analysis takes into account a loss on disposal of Yinguang Technology of RMB22.6 million (based on S\$4.5 million @ RMB 4.979 : S\$1.00) assuming the Proposed Disposal been completed on 31 March 2020;
- (d) the NTA per Share and NAV per Share for the Proposed Disposal and Proposed Capital Reduction are computed based on the 46,800,000 Shares in issue, as at 31 March 2020. There is no change in the number of issued Shares since 31 March 2020 to the date of this Announcement. The NTA per Share and NAV per Share following the Proposed Acquisition are computed based on 166,572,726 Shares in the Enlarged Share Capital upon Completion;
- (e) expenses incurred by the Company in relation to the Proposed Disposal and the Proposed Capital Reduction are estimated to be approximately S\$230,000;
- (f) expenses incurred by the Company in relation to the Proposed Acquisition are estimated to be approximately S\$700,000;
- (g) the Proposed Capital Reduction is based on S\$0.368 per Share;
- (h) new Shares will be issued to the Vendors, Arranger and Sponsor at the Issue Price upon Completion; and
- (i) the exchange rate of RMB 4.979 : SGD 1.00 as at 31 March 2020.

6.2 NTA / NAV of the Group

	Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal, Proposed Capital Reduction and the Proposed Acquisition
	RMB'000	RMB'000	RMB'000	S\$'000	S\$'000
NTA/NAV	154,900	154,900	154,900	31,111	31,111
Less: Effects of Proposed Disposal ⁽¹⁾	-	(67,064)	(67,064)	(13,469)	(13,469)
Less: Effect of Proposed Capital Reduction ⁽²⁾	-	-	(85,750)	(17,222)	(17,222)
Add: Effect of Proposed Acquisition ⁽³⁾	-	-	-	-	3,784
Resultant NTA/NAV	154,900	87,836	2,086	420	4,204
NTA/NAV per Share (RMB)	3.31	1.88	0.04	N.A.	N.A.
NTA/NAV per Share (S\$)	0.66	0.38	0.01	0.01	0.03

Notes:

- (1) The NTA/NAV of the Group will decrease by RMB67.1 million due mainly to the Disposal Consideration being less than the NAV of Yinguang Technology, and estimated expenses in relation to the Proposed Disposal and Proposed Capital Reduction.
- (2) The NTA/NAV of the Group will be reduced further by the Proposed Capital Reduction.
- (3) The NTA/NAV of the Group will be increased by the NTA/NAV of the Target of approximately S\$4.5 million less the estimated expenses in relation to the Proposed Acquisition.

6.3 Earnings/(Losses) of the Group

			Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal, Proposed Capital Reduction and the Proposed Acquisition
			RMB'000	RMB'000	RMB'000	S\$'000	S\$'000
Loss	attributable	to	(37,323)	(37,323)	(37,323)	(7,496)	(7,496)
Shareholders							
Add:	Effects of Proposed Disposal ⁽⁴⁾	of	-	5,410	5,410	1,087	1,087
Less:	Effect of Proposed Capital Reduction ⁽⁵⁾	of	-	-	-	-	-
Add:	Effect of Proposed Acquisition ⁽⁶⁾	of	-	-	-	-	(2,705)
Resultant loss attributable to Shareholders			(37,323)	(31,913)	(31,913)	(6,409)	(9,114)
Loss per Share (RMB)			(0.80)	(0.68)	(0.68)	N.A.	N.A.
Loss per Share (S\$)			(0.16)	(0.14)	(0.14)	(0.14)	(0.05)

Notes:

- (4) The Group's loss will be reduced by eliminating the loss from Yinguang Technology of approximately RMB 29.2 million but will record a loss on disposal of Yinguang Technology of RMB22.6 million and related estimated expenses of RMB1.1 million.
- (5) There is no material impact on earnings/(losses) arising from the Proposed Capital Reduction.
- (6) The Group's loss will be increased due to the Target's loss for the financial year ended 30 June 2020 and the estimated expenses of S\$700,000 in relation to the Proposed Acquisition.

6.4 Gearing of the Group

	Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal, Proposed Capital Reduction and the Proposed Acquisition
	RMB'000	RMB'000	RMB'000	S\$'000	S\$'000
Total borrowings	58,000	-	-	-	4,929 ⁽¹⁰⁾
Total assets	311,509	91,404 ⁽⁸⁾	5,654 ⁽⁹⁾	1,136	16,189 ⁽¹¹⁾
Gearing (times)	0.19 ⁽⁷⁾	-	-	-	0.30

Notes:

- (7) Gearing is determined based on total bank borrowings divided by total assets. Total bank borrowings are in relation to bank loans extended to Yinguang Technology. After the Proposed Disposal, the Group will have no bank borrowings.
- (8) Total assets exclude assets of Yinguang Technology but include Disposal Consideration following the Proposed Disposal.
- (9) Total assets are further reduced following the Proposed Capital Reduction.
- (10) Based on the Target's bank borrowings as at 30 June 2020.
- (11) Total assets include assets of the Target as at 30 June 2020, less estimated expenses for Proposed Acquisition.

6.5 Share Capital of the Company

	Before the Proposed Disposal	After the Proposed Disposal	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal and the Proposed Capital Reduction	After the Proposed Disposal, Proposed Capital Reduction and the Proposed Acquisition
	RMB'000	RMB'000	RMB'000	S\$'000	S\$'000
Paid-up share capital	116,849	116,849	31,099 ⁽¹²⁾	6,237	32,587 ⁽¹³⁾
Number of issued Shares	46,800,000	46,800,000	46,800,000	46,800,000	166,572,726

Notes:

- (12) Paid-up share capital will be reduced by the Proposed Capital Reduction, and there is no change in the number of issued Shares arising from the Proposed Disposal and Proposed Capital Reduction.
- (13) Paid-up share capital will be increased by the issuance of the Consideration Shares, Arranger Shares and Sponsor Shares to the Vendors, the Arranger and the Sponsor respectively, pursuant to the Proposed Acquisition.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

- 7.1 Save as disclosed in this Announcement and in the Company's announcement of 19 March 2021, none of the Directors or Controlling Shareholders of the Company have any interest, direct or indirect, in the Proposed Acquisition and all transactions contemplated under the Agreement, other than through their respective shareholdings in the Company (as the case may be).

8. SERVICE AGREEMENTS

- 8.1 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 of the Company in connection with the Proposed Acquisition and Related Proposed Transactions. It is envisaged that the Company will, on or prior to Completion, enter into the Service Agreements as described in paragraph 4.6(b) of this Announcement, relevant details of which will be set out in the Circular.

9. FULL SPONSOR

- 9.1 As the Company intends to seek the Proposed Transfer to Catalyst in connection with the proposed Acquisition, the Company will appoint a Catalyst full sponsor ("**Sponsor**") in relation to the Proposed Acquisition and RTO pursuant to Rules 410(2) and 1015(1)(a) of the Catalyst Rules, and will announce this appointment in due course.

10. INDEPENDENT FINANCIAL ADVISER

- 10.1 The Company will appoint an independent financial adviser ("**IFA**") pursuant to Paragraph 2(e) of Appendix 1 of the Code, to provide an opinion to the Shareholders who are considered independent for the purpose of the Whitewash Resolution ("**Independent Shareholders**") whether financial terms of the Proposed Acquisition and the allotment and issuance of the Consideration Shares to the Vendors pursuant to the Proposed Acquisition, which is subject to the Whitewash Resolution, is fair and reasonable, and to the Directors who are considered independent for the purposes of making the recommendation to the Independent Shareholders, namely Bao Hongwei, Wee Phui Gam, Professor Jiang Rongguang and Sun Bowen, whether they should recommend that the Independent Shareholders should vote in favour of the Whitewash Resolution. The IFA's opinion will be set out in full in the Circular.

11. DIRECTORS' RESPONSIBILITY STATEMENT

- 11.1 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 Proposed Acquisition and all transactions contemplated under the Agreement, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading, save that in respect of information relating to the Vendors, Target, Business and Arrangers in this Announcement, such information is given based on information available to the Company as at the date of this Announcement and is subject to further due diligence investigation and verification.

Where information in this Announcement (including information relating to the Vendors, Target, Business and Arranger) has been extracted from published or otherwise publicly available sources or obtained from a named source, 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.

12. DOCUMENTS AVAILABLE FOR INSPECTION

- 12.1 A copy of the Agreement will be available for inspection during normal business hours at the Company's registered office at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 for a period of three (3) months from the date of this Announcement.

Shareholders who wish to inspect the aforementioned document at the registered office are required to send an email request to wlkwek@fabchemchina.com to make an appointment in advance. The inspection of documents will be arranged with each Shareholder to limit the number of people who are present at the registered office at any one point in time and such arrangements will be subjected to the prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities from time to time.

13. EGM AND CIRCULAR TO SHAREHOLDERS

- 13.1 The Company will convene the EGM in due course to seek the approval of the Shareholders for the Proposed Acquisition and allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares, the Whitewash Resolution, and Related Proposed Transactions, and the Circular containing, *inter alia*, the IFA's opinion, and enclosing the notice of EGM in connection therewith, will be despatched to the Shareholders at the relevant time.

14. FURTHER ANNOUNCEMENTS

- 14.1 The Company will make further announcements on the Proposed Acquisition and Related Proposed Transactions as appropriate or when there are further developments. The Company will also make the required announcements under Rule 1018 of the Listing Rules as prescribed therein, as may be applicable if the Company becomes a cash company.

15. CAUTIONARY STATEMENT

- 15.1 The Directors of the Company would like to advise Shareholders that, although the Agreement has been entered into, Completion is subject to the Conditions Precedent which include the results of legal, financial and other due diligence to be conducted by the Company being satisfactory to the Company (and its professional advisers). Shareholders and potential investors are advised to exercise caution when dealing in the Shares, as there is no certainty or assurance, as at the date of this Announcement, as to whether (i.) the terms and conditions of the Proposed Acquisition may be varied by agreement of the Parties in writing from those set out in the Agreement and this Announcement, or (ii.) the Proposed Acquisition will proceed to Completion at all. Shareholders and potential investors of the Company should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

By Order of the Board
Fabchem China Limited

Wee Phui Gam
Acting Chairman and Lead Independent Director
22 April 2021

Conditions Precedent

Unless otherwise defined in this Announcement, terms referred to in this Appendix A shall have the meanings defined in the Agreement. The Proposed Acquisition is subject to the Conditions Precedent as set out in their entirety in the Agreement which include, *inter alia*, the following:

- (a) the Vendors being, on the Completion Date, (i.) the sole legal, beneficial and registered owners of their respective Target Shares, free from all encumbrances, and not holding the same on trust for other beneficiaries, and (ii.) entitled to sell and transfer to the Company the full legal title and beneficial ownership of their respective Target Shares together with all rights, benefits and entitlements attaching and accruing thereto (including, without limitation, the rights to any dividends or other distributions declared or payable thereon) as at the Completion Date;
- (b) the Target Shares (i.) being duly authorised and validly issued and allotted, (ii.) being free from all Encumbrances to be freely dealt with by the Company and there being no other claimants to and/or disputes relating to ownership of and/or title to the Target Shares, and no circumstances likely to give rise to such claims or disputes, (iii.) ranking *pari passu* with all then existing shares in the equity share capital of the Target, and (iv.) being not subject to any rights of pre-emption or first refusal or any restriction on disposal placed by any party or by contractual undertaking or otherwise or under any restrictions by any law or Regulator restricting the sale and transfer of the Target Shares;
- (c) the approval and such approval not having been qualified or withdrawn, of the Shareholders at the EGM for the entering into of the Agreement, all transactions contemplated under the Agreement and such other transactions in connection therewith and incidental thereto, including without limitation:
 - (i.) the Proposed Acquisition;
 - (ii.) the allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares in accordance with the terms of the Agreement,
 - (iii.) the approval of the Whitewash Resolution by a majority of the Independent Shareholders by ordinary resolution on a poll taken, at the EGM, of their right to receive a general offer from any or all of the Vendors and their concert parties for all other Shares not acquired by the Vendors and their concert parties arising from the allotment and issuance of the Consideration Shares, pursuant to Rule 14 of the Take-over Code;
 - (iv.) all Related Proposed Transactions;
 - (v.) if necessary, the proposed adoption of a shareholders' mandate by the Shareholders for any recurrent interested person transactions of a revenue or trading nature or those necessary for the post-Completion day-to-day operations, and
 - (vi.) if necessary and in consultation with the Sponsor, the proposed adoption of a new constitution by the Company to update it with the latest relevant provisions of the Act and Catalist Rules;
- (d) the approval, consent and/or waiver of the Target's board and shareholders, respectively, for the sale and transfer of the Target Shares to the Company in accordance with the terms of the Agreement and the authorisation of the Target's secretary to register the transfer of the Target Shares from the respective Vendors to the Company, cancellation of the original share certificates representing all of the Target Shares and issue of a new share certificate representing all of the Target Shares to and in the name of the Company, and any related transactions as may be required in relation thereto;
- (e) the conduct and completion of a legal, financial and technical due diligence exercise by the Company and/or their professional advisers on the Target, Vendors and Business, and the results of such due diligence exercise being satisfactory to the Company in its reasonable opinion and the Company having obtained a legal opinion satisfactory to the Company in its reasonable opinion from the legal advisors to the Target on the Vendors' and Target's compliance with the laws of Singapore, with the substantive investigations for such due diligence to be materially carried out by the date of submission of the draft Circular to SGX-ST, subject to updating and finalising of the due diligence reports immediately prior to (i.) issuance of the Circular, and (ii.) Completion;

- (f) the issuance of the Valuation Report by the Independent Valuer and the Appraised Value being not less than S\$25.0 million;
- (g) an unqualified opinion by the IFA that the financial terms of the Proposed Acquisition which is the subject of the Whitewash Resolution is fair and reasonable and that the Independent Shareholders vote in favour of the Whitewash Resolution;
- (h) the Warranties being complied with, and being true and accurate in all material aspects on and as at the Completion Date, with the same force and effect as though made on and as at the Completion Date with reference to the facts and circumstances prevailing at the Completion Date, and each Party having performed and complied with all their respective obligations, undertakings, covenants and agreements set out in the Agreement on or prior to the Completion Date and no fact or circumstance having occurred which would result in the Warranties being untrue or inaccurate or misleading;
- (i) all licenses, consents, permits, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with all relevant Regulators, entitled third-parties, counterparties, financing or facility providers of the Company, Vendors and the Target as may be required for or in connection with the Proposed Acquisition, the Related Proposed Transactions, all transactions contemplated in the Agreement and such other transactions in connection therewith and incidental thereto having been obtained, and not having been withdrawn, revoked or amended and if subject to any conditions, such conditions being reasonably acceptable to the Parties and are fulfilled on or before the Completion Date, and all other actions having been taken by or on behalf of the Vendors and the Company to comply with all applicable legal and other requirements necessary to ensure that the transfer of the Target Shares is in accordance with, and do not infringe any existing law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree, order, contract or agreement, including without limitation:
 - (i.) approval of the SGX-ST for the Proposed Acquisition, being a reverse takeover under Rule 1015 of the Listing Rules, and the Related Proposed Transactions;
 - (ii.) the issuance by the SGX-ST of a listing and quotation notice for the Consideration Shares, Arranger Shares and Sponsor Shares on Catalist, and
 - (iii.) the waiver by SIC of the obligation of the Vendors and their concert parties to make a mandatory take-over offer for all other Shares in issue arising from the issuance and allotment of the Consideration Shares, pursuant to Rule 14 of the Code ("**Whitewash Waiver**"), and the fulfilment of any such condition that the SIC may impose which are reasonably acceptable to the Parties.
- (j) no relevant Regulator taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or made, proposed or enacted any law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree or order or taken any steps, and there not continuing to be in effect or outstanding any law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree or order which would or might:
 - (i.) make the Proposed Acquisition, the allotment and issuance of the Consideration Shares, Arranger Shares and Sponsor Shares, the Related Proposed Transactions, all transactions contemplated in the Agreement and such other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same, and/or
 - (ii.) render the Company unable to purchase all or any of the Target Shares in the manner set out in the Agreement;
- (k) the Target having preserved and maintained in full force and effect its existing corporate existence, organisation and share capital structure as at the date of the Agreement in the manner described in Schedule 3 of the Agreement and, save as required to effect the transactions contemplated in the Agreement, not having undertaken or effected any re-organisation, merger, amalgamation, restructuring, reconstruction, take-over or change in shareholding, or change in its share capital structure, including (without limitation) any increase, reduction, consolidation, sub-division, reclassification, cancellation, acquisition, redemption or re-purchase of shares, bonus or rights issues, stock split or do such other acts in relation to its share capital or reserve or allotted and issued shares or other securities or granted options over shares or securities or issued any warrants, convertible preference shares or other forms of

convertible securities (howsoever called) which are convertible into shares or entered into any agreement or undertaking to do the same or done or agreed or permitted to, or caused to be done, such acts;

- (l) the Target not conducting or having any other businesses, activities, obligations, and/or undertakings other than the Business and having carried on and conducted the Business as described in Schedule 3 of the Agreement in the ordinary course since the Balance Sheet Date to the Completion Date and consistent with past practices and having preserved and maintained the Business, its goodwill and relationships with suppliers, customers, employees, agents and others having relationships with the Target consistent with past practices;
- (m) the Target having not after the date of the Agreement, save with the Company's prior written consent (which should not be unreasonably withheld or delayed) entered into any material or long-term contracts other than in the ordinary course of the Business, changed its business activities, operations, properties or financial condition, commenced or carried on any type of business which is not ancillary to incidental to or an extension of the Business, acquired, diluted or disposed of any assets, businesses, undertakings or other entities or investments, entered into any financing, credit or banking arrangements with any third party or set up or acquire new or additional subsidiaries or associated companies;
- (n) save as Disclosed, there being no change or any development from the date of the Agreement to the Completion Date likely to result in a Material Adverse Change in the operations, prospects or financial condition, or otherwise, of the Target nor any breach of, nor the occurrence of any event or the discovery of any matter rendering untrue or inaccurate, any of the Warranties given by the Vendors and the Target;
- (o) all permits, licenses, consents, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with all Regulators that are required to enable the Target to carry out the Business, having been obtained, renewed, extended or made (as the case may be), being in full force and effect and all conditions thereof (being acceptable to the Company in its reasonable opinion) having been fully complied with and all other actions having been taken by or on behalf of the Target to comply with all legal and other requirements applicable to the Target, necessary to ensure that the carrying out of the Business in the jurisdictions where the Business takes place are in accordance with, and do not infringe any existing law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree, order, contract or agreement;
- (p) save for contracts and obligations entered into in the ordinary course of the Business, there being no liabilities, including contingent and contractual liabilities and no present or future obligations, unpaid loans, guarantees, indemnities, performance bonds, liabilities under any service agreements or employment contracts, liabilities to trade creditors, liabilities in respect of unpaid fees, liabilities under Claims, demands, causes of action, investigations, actions, suits or other proceedings (judicial, administrative, arbitration or otherwise), judgments, tax liabilities, accounts payables and other costs, debts, losses, financial indebtedness and obligations of the Target since the Balance Sheet Date;
- (q) there being no current or pending claims, disputes, investigations, actions, suits or proceedings (including but not limited to litigation, arbitration, mediation, administrative, statutory, tribunal, regulatory, criminal or insolvency proceedings) against or affecting the Target and/or any Vendor, there being no such claims, disputes, investigations, actions, suits or proceedings threatened or contemplated and there being no incidents, events, claims, disputes or circumstances known to the Vendors or the Target in respect of the Target which are likely to give rise to any claim, dispute, investigations, actions, suits or proceedings, which in any such case may have or has an effect on the Proposed Acquisition, the Related Proposed Transactions, all transactions contemplated in the Agreement and such other transactions in connection therewith and incidental thereto;
- (r) there being no unsatisfied award, judgment or court order outstanding against the Target and/or any Vendor nor any distress, execution or other process that has been levied against the businesses, undertakings, properties, assets or goodwill of the Target and/or any Vendor;
- (s) no Insolvency Event happening to, threatened or started in relation to, the Target, and/or any Vendor;
- (t) the Target and the Vendors being in compliance with all laws, rules, regulations, directives and orders that are applicable to them respectively;
- (u) Soh Loong Chow Jackie and Tan Jit Meng having entered into executive service agreements with the Company on terms acceptable to the Parties and Sponsor;

- (v) the irrevocable and unconditional waiver by the Target, the Vendors and/or any third party (as may be so entitled) of any restriction or right of pre-emption on the sale and transfer of the Target Shares if any such restriction or right shall be applicable;
- (w) the furnishing of the original executed Moratorium Undertakings and Undertakings to Vote in Favour;
- (x) the Shares not being suspended by the SGX-ST from trading on the Mainboard other than in relation to trading halts not exceeding three (3) market days pending announcements of the Company, and
- (y) the Proposed Disposal and Proposed Capital Reduction having been completed, and there being no other material assets or liabilities remaining in the Company other than, where Completion takes place on or behalf 31 December 2021, anticipated cash at bank in the amount of S\$200,000 to S\$400,000.

The Parties agree that they shall each take all actions and do all things necessary for the purposes of enabling the aforesaid conditions precedent to be satisfied.

Unless compliance is otherwise expressly waived in writing, in whole or in part, by the respective entitled party, if any of the Conditions Precedent are not satisfied on or before the first anniversary of the date of the Agreement, the Agreement shall, ipso facto, cease and determine and the Parties shall be released and discharged from their respective obligations and liabilities under the Agreement, save in respect of (i.) any claim by a party against any other(s) for costs, damages, compensation or otherwise arising from any accrued liabilities, antecedent and/or existing reaches of the terms thereof, (ii.) the respective obligations, covenants or undertakings which, pursuant to the terms of the Agreement, are expressed to survive such termination, which shall continue in full force and effect to bind the Parties in the manner so expressed, and (iii.) for costs and expenses as expressly provided for under the Agreement.
