

Our Ref: REG/LC/LC/CCY/NOC2021060001

03 June 2021

The Board of Directors
Fabchem China Limited
2 Bukit Merah Central
#12-03
Singapore 159835

Dear Sirs

**FABCHEM CHINA LIMITED (“FABCHEM” OR THE “COMPANY”)
NOTICE OF COMPLIANCE (THE “NOTICE”)**

1. Singapore Exchange Regulation (“**SGX RegCo**”) refers to the Company's announcement dated 19 March 2021 (Announcement Reference No.:SG210319OTHRQBT0) titled “Proposed Disposal and Proposed Capital Reduction” (“**Announcement**”).
2. On 19 March 2021, the Company announced that the Company had, on 19 March 2021, entered into a sale and purchase agreement (“**SPA**”) with its controlling shareholder, Triple Vision Pte. Ltd. (Company Registration No. 201812334H) (“Triple Vision”), pursuant to which the Company had agreed to dispose the entire interest in its subsidiary, Shandong Yinguang Technology Co. Ltd (“**Yinguang Technology**” or “山东银光科技有限公司”) for a cash consideration of \$18 million.
3. The Proposed Disposal is deemed an “interested person transaction” (“**IPT**”) under Chapter 9 of the Listing Rules of the Singapore Exchange Securities Trading Limited (“**Listing Rules**”) and a “major transaction” under Chapter 10 of the Listing Rules. Upon the completion of the Proposed Disposal, the Company will cease to have any operating business and will be deemed a cash company under Listing Rule 1018.
4. Based on the Company's Announcement, the Net Asset Value (“**NAV**”) of Yinguang Technology was RMB155.3 million (S\$31.2 million) as at 30 September 2020. The Disposal Consideration of S\$18 million represents a substantial discount of RMB65.7 million (S\$13.2 million) or 42.3% to the NAV of Yinguang Technology.

Singapore Exchange Regulation Pte. Ltd.
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5. The Company appointed **AVA Associates Limited** (the “**Valuer**”) to conduct a valuation of 100% equity interest of Yinguang Technology for the purpose of the Proposed Disposal pursuant to Rule 1014(5) of the Listing Rules. A summary valuation report (“**Summary Valuation Report**”) was submitted to SGX RegCo together with the draft Circular in relation to the Proposed Disposal.
6. Based on the submissions by the Company to SGX RegCo, the Valuer calculated the Market Value of the Equity Interest in the Target Group based on the income approach. Based on the information provided, the Valuer is of the opinion that, as at Valuation Date, the Market Value of the 100% Equity Interest in the Target Group is reasonably stated in the amount that range from RMB35.8 million to RMB45.4 million, with a concluded value of RMB39.5 million (S\$8 million) (“**Valuation**”).
7. The valuation of S\$8 million represents a significant discount of 74.3% to the NAV of Yinguang Technology of RMB155.3 million (S\$31.2 million) as at 30 September 2020 respectively.
8. In the **Summary Valuation Report** prepared by the Valuer, among other things, the Valuer had noted that the land use rights (“**LURs**”), industrial properties and commercial properties of Yinguang Technology (collectively the “**Real Estate Assets**”) had a market value of RMB300.9 million (S\$60.5 million) based on direct comparison approach. The unaudited book value of the Real Estate Assets was RMB 141.8 million (S\$28.5 million) as at 31 March 2020. The Valuer had explained that this increase in value of RMB159.1 million (S\$32 million) would arise from a sale of the LURs, industrial properties and commercial properties.
9. Based on the cost approach, the Valuer also provided that the Revalued Net Asset Value (“**RNAV**”) of Yinguang Technology’s assets has an indicative value of RMB271.7 million (S\$54.6 million). However, the Valuer dismissed this value and opined that the RNAV did not best represent the market value of Yinguang Technology.
10. Listing Rule 1405 provides that the Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent. In this regard, the Exchange may, inter alia: (a) require an issuer to appoint compliance advisers or other independent professionals for specified purposes under Listing Rule 1405(1)(f).
11. In view of the significant variances of the Valuation to the value of the Real Estate Assets and RNAV noted above by the Valuer and the substantial discount of the Valuation to the NAV of Yinguang Technology as at 30 September 2020, the substantial difference in values derived from the income and cost approach respectively raises a concern about whether the value of the IPT has been fairly valued noting that the Proposed Disposal relates to its sole operating business and is a transaction with an Interested Person. SGX RegCo hereby requires the Company to appoint another valuer, acceptable to the Exchange, to report on the valuation of Proposed Disposal and the valuer should be of international standing and repute. This appointment for the purpose of the Proposed Disposal is subject to the approval of the Exchange.

12. Pursuant to Listing Rule 1405(4), failure to comply with the requirements imposed by SGX RegCo shall be deemed a contravention of the Listing Rules. Upon fulfilment of the requirements imposed, please inform the SGX RegCo in writing.
13. Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company for breaches of the Listing Rules, including any failure to comply with the requirements imposed by the Exchange.

Yours faithfully
June Sim
Senior Vice President
Head, Listing Compliance
SGX RegCo